UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2015

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
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Keddington & Christensen, LLC
Certified Public Accountants
Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Utah Telecommunication Open Infrastructure Agency
West Valley City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Telecommunication Open Infrastructure Agency (UTOPIA), as of and for the year ended June 30, 2015, and the related notes to the 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 opinions on these 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 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Utah Telecommunication Open Infrastructure Agency as of June 30, 2015, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Telephone (801) 590-2600
Fax (801) 265-9405

5292 So. College Dr., Suite 102
Salt Lake City, Utah 84123

Emphasis of Matter

As discussed in Note 5 to the financial statements, in 2015 UTOPIA adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015 on our consideration of UTOPIA'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 UTOPIA's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

November 20, 2015

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The following is a discussion and analysis of the Utah Telecommunication Open Infrastructure Agency (UTOPIA) financial activities for the fiscal year ending June 30, 2015.

Description of Business

UTOPIA is a consortium of 15 Utah cities, created to provide construction and operations for a wholesale state-of-the-art fiber optic telecommunications infrastructure. This effort on the part of the municipalities will promote economic development and improve the quality of life for their residents. UTOPIA provides an open access network, allowing private service providers to use the infrastructure to offer retail digital services to customers in UTOPIA member cities.

Today Utah is ranked 4^{th} in the country in terms of average internet speed and this is due in larger part by the competition created by networks like UTOPIA. Where the network is completed, citizens have access to some of the fastest Internet in Utah and the country. The competition that has been created by the network has driven improvements to the member cites in terms of better broadband at lower prices and the availability of the network has proven to be a key factor in attracting large business. UTOPIA is more financially stable than it has ever been and is well on its way to accomplishing the original vision of its founders.

Eleven of the current UTOPIA member cities pledged sales tax revenues as partial loan guarantees in order to secure financing for the network. UTOPIA has been constructing a wholesale advanced communications network within its member cities. The network is being built with fiber-to-the-premises technology, which transmits information at the speed of light, significantly faster than existing copper, cable, and wireless or satellite systems. Fiber has become accepted as the only infrastructure capable of delivering the capacity and speed needed to meet today's telecommunications and broadband requirements. It is currently used for the backbone of the Internet and other high-demand applications, and recently has begun to be implemented over "the last mile" into homes and businesses. The member cities of UTOPIA were early to recognize this trend and have been laying the fiber-optic cable necessary to connect each member city and the homes and businesses within each city. UTOPIA established an open access network, which allows private sector service providers to use the network to deliver services. The open access concept results in more competition and has resulted in more choice and increased value for the residents and businesses of its member cities.

To help facilitate growth, several cities formed another inter-local entity, called the Utah Infrastructure Agency (UIA). UTOPIA has entered into an agreement to provide network services and access to UIA. Through this arrangement, UTOPIA has been and will continue to be able to generate additional revenue.

As of the end of June, 2015, more than 2,370 miles of fiber cable have been placed within the boundaries of the eleven members cities. Within footprints serviced by 158 hut sites, there are approximately 74,000 addresses, of which approximately 52,000 are able to receive services. The remaining addresses are located in apartment buildings, condominium developments, or in areas isolated by right-of-way or pole access issues. Twenty service providers—Beehive Communications, Brigham.net, Centracom, Fibernet, First Digital, Infowest, Integra Telecom, OneWire, Rigidtech, SenaWave, SumoFiber, Syringa, Telesphere, Utah Broadband, Veracity, Voonami, Windstream, XMission, and YipTel—were actively providing services and a total of 12,631 homes and businesses had subscribed to services at year end on the UTOPIA/UIA network.

Highlights

Early in UTOPIA's history it entered into an agreement with RUS to help fund the building of the network to cities, which were defined as rural by RUS. After construction began RUS withdrew its funding, putting UTOPIA in financial difficulty. Construction was halted and litigation began between RUS and UTOPIA. A settlement was reached with RUS, and as part of that settlement, UTOPIA received $10 Million in December 2014. While the funds came without any restrictions, they are being used to upgrade network electronics and expand the network to more residential and business customers, particularly in areas that were started with RUS funds and required additional build to complete.

Additional financial highlights include:

- Revenues increased from the prior year by $8,971,320.
- General and Administrative expenses decrease from prior year by $1,091,865.

Overview of Financial Statements

The financial statements included in this report have been prepared in compliance with generally accepted accounting principles. The balance sheet provides information about the Agency's resources and obligations at year-end. The statement of revenues, expenses, and changes in net position presents the results of business activities during the course of the year. The statement of cash flows presents changes in cash and cash equivalents, resulting from operational and investing activities. Notes to the financial statements provide required disclosures and other information that are essential to the full understanding of material data provided in the statements. The notes present information about the Agency's accounting policies, significant account balances, obligations, commitments, contingencies and subsequent events.

Recurring operating revenues for the fiscal year were about $500,000 above budgeted levels. Operating expenses (expenses excluding interest and depreciation) were below budget by $435,000. Operating profit (EBITDA) was nearly $1.1 Million better than projected. Depreciation and amortization expense were below projected levels. Other income includes a $10 Million settlement from RUS. As a result, net income was about $12.9 Million better than budget.

Table 1 - Summary of the Agency's Statement of Net Position:

	2015	2014
Current and other assets	$ 16,600,134	$ 11,384,997
Capital assets	78,121,229	80,171,149
Total Assets	94,721,363	91,556,146
Deferred outflows of resources	85,899,541	78,424,191
Current and other Liabilities	3,307,267	4,016,727
Long-term liabilities outstanding	355,046,155	333,701,682
Total Liabilities	358,353,422	337,718,409
Deferred inflows of resources	134,800	-
Net investment in capital assets	(48,578,918)	(44,200,848)
Restricted	118,070	111,472
Unrestricted	(129,406,470)	(123,648,696)
Net Position, restated	$ (177,867,318)	$ (167,738,072)

Table 2 - Summary of the Agency's Statement of Revenues, Expenses and Changes in Fund Net Position

	2015	2014
Revenues:		
Operating revenues	$ 15,761,478	$ 5,308,942
Interest income	11,420	6,353
Other revenues	135,750	1,622,033
Total Revenues	15,908,648	6,937,328
Expenditures:		
General and administrative	5,532,095	6,623,960
Network	2,350,150	1,999,273
Depreciation	4,549,860	4,739,039
Bond interest and fees	13,605,789	13,417,583
Total Expenditures	26,037,894	26,779,855
Change in net position	(10,129,246)	(19,842,527)
Total net position, beginning of year	(167,738,072)	(147,895,545)
Total net position, end of year	$ (177,867,318)	$ (167,738,072)

Capital Assets and Debt Administration

UTOPIA's capital assets, net of depreciation, were $78.1 million at year-end. Types of assets include outside plant (fiber and conduit), inside plant (electronics), customer premise equipment, construction in progress and other miscellaneous assets.

As of June 30, 2015, UTOPIA's outstanding debt amounted to $254.5 million. The majority of this debt (revenue bonds payable) is secured by the 11 pledging members' sales tax pledges.

Table 3 - Summary of the Agency's Capital Assets

	2015	2014
Construction in progress	$ 5,375,537	$ 4,512,609
Outside plant	64,746,867	67,673,112
Inside plant	902,189	457,822
Customer premise equipment	5,979,258	6,284,852
Intangible right	1,053,805	1,118,741
Office furniture and equipment	49,710	102,749
Vehicles	13,863	21,264
	$ 78,121,229	$ 80,171,149

Table 4 - Summary of the Agency's Debt

	2015	2014
Revenue bonds payable	$ 184,803,065	$ 184,970,208
Capital leases	-	29,607
Notes payable	69,734,924	56,184,711
	$ 254,537,989	$ 241,184,526

Contacting UTOPIA's Financial Management

This financial report is designed to provide interested readers with a general overview of UTOPIA's financial position and to demonstrate accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Utah Telecommunication Open Infrastructure Agency, 2175 S. Redwood Road, West Valley City, Utah, 84119.

BASIC FINANCIAL STATEMENTS

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
STATEMENT OF NET POSITION
June 30, 2015

Assets		
Current Assets:		
Cash	$	8,004,422
Trade receivables, net		392,567
Inventory		1,091,701
Prepaid expenses		81,477
Notes receivable, current portion		655,000
Restricted cash equivalents		1,252,675
Total Current Assets		11,477,842
Noncurrent assets:		
Capital Assets:		
Construction in progress		5,375,537
Property and equipment, net:		
Fiber optic network		72,682,119
Office furniture and equipment		49,710
Vehicles		13,863
Total Property and Equipment, net		72,745,692
Total Capital Assets		78,121,229
Other Assets:		
Deposits		10,686
Notes receivable, net of current portion		5,108,170
Net pension asset		3,436
Total Other Assets		5,122,292
Total Assets		94,721,363
Deferred Outflows of Resources		
Deferred outflow of resources for interest rate swaps		83,776,047
Deferred charge on refunding		1,894,608
Deferred outflow of resources relating to pensions		228,886
Total Deferred Outflows of Resources	$	85,899,541

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

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
STATEMENT OF NET POSITION (Continued)
June 30, 2015

Liabilities	
Current Liabilities:	
Accounts payable	$ 821,811
Accrued liabilities	125,561
Compensated absences	159,274
Interest payable from restricted assets	1,134,605
Note payable	9,130
Unearned revenue, current portion	655,000
Revenue bonds payable	401,886
Total Current Liabilities	3,307,267
Noncurrent Liabilities:	
Compensated absences	107,045
Note payable	69,725,794
Unearned revenue, net of current portion	16,022,085
Revenue bonds payable	184,401,179
Net pension liaiblity	1,014,005
Interest rate swaps liability	83,776,047
Total Liabilities	358,353,422
Deferred Inflows of Resources	
Deferred inflow of resources relating to pensions	134,800
Total Deferred Inflows of Resources	134,800
Net Position	
Net investment in capital assets	(48,578,918)
Restricted for:	
Debt service	118,070
Unrestricted	(129,406,470)
Total Net Position	$ (177,867,318)

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

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For The Year Ended June 30, 2015

Operating Revenues:		
Access fees	$	4,456,113
Fiber lease revenue		655,000
Installation revenue		192,044
Litigation proceeds		10,084,568
Miscellaneous operating revenue		373,753
Total Operating Revenues		15,761,478
Operating Expenses:		
Payroll		3,787,008
Material and supplies		782,217
Professional services		962,870
Network		2,350,150
Depreciation		4,549,860
Total Operating Expenses		12,432,105
Operating Income (Loss)		3,329,373
Nonoperating Revenues (Expenses):		
Interest income		11,420
Miscellaneous nonoperating revenue		135,750
Bond interest and fees		(13,605,789)
Total Nonoperating Revenues (Expenses)		(13,458,619)
Change In Net Position		(10,129,246)
Total Net Position, Beginning of Year, Restated		(167,738,072)
Total Net Position, End of Year	$	(177,867,318)

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

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2015

Cash Flows From Operating Activities:	
Cash received from customers and users	$ 7,727,061
Cash received from lawsuits	10,084,568
Payments to suppliers	(3,971,090)
Payments to employees	(3,712,724)
Net cash used by operating activities	10,127,815
Cash Flows From Capital and Related Financing Activities:	
Purchase of property and equipment	(1,947,578)
Proceeds from note payable	13,375,214
Bond interest and fees	(13,188,399)
Principal paid on capital leases, notes payable, and bonds payable	(205,790)
Net cash provided by capital and related financing activities	(1,966,553)
Cash Flows From Non-Capital Financing Activity:	
Payments on long-term pension obligation	(160,118)
Net cash provided by non-capital financing activity	(160,118)
Cash Flows From Investing Activity:	
Interest income	11,420
Net cash provided by investing activity	11,420
Net Increase in Cash and Cash Equivalents	8,012,564
Cash and Cash Equivalents, Beginning of Year	1,244,533
Cash and Cash Equivalents, End of Year	$ 9,257,097

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

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
STATEMENT OF CASH FLOWS (Continued)
For The Year Ended June 30, 2015

Reconciliation of operating loss to net cash from operating activities:

Operating income (loss)	$	3,329,373
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization expense		4,549,860
(Increase) decrease in assets related to operations		
Trade receivables, net		(48,853)
Inventory		(159,986)
Notes receivable		2,432,432
Prepaid expenses		24,908
Increase (decrease) in liabilities related to operations		
Accounts payable		259,225
Accrued liabilities		45,848
Compensated absences		28,436
Unearned revenue		(333,428)
Net Cash Used by Operating Activities	$	10,127,815

Supplemental Information

Noncash Investing, Capital, and Financing Activities:

Additions to capital assets includes inventory of $552,362.

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

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

Utah Telecommunication Open Infrastructure Agency (UTOPIA), a separate legal entity and political subdivision of the State of Utah, was formed on March 5, 2002, by an Interlocal Cooperative Agreement pursuant to the provisions of the Utah Interlocal Cooperation Act. UTOPIA's Interlocal Cooperative Agreement has a term of fifty years. During June 2004, the Board of Directors voted to amend the inter-local agreement with the member cities to allow pledging and non-pledging members. The pledging members were required to pledge sales tax revenue from their cities to partially guarantee payment of the bonds, and in return for the pledge, they would be the first to receive UTOPIA's services. The non-pledging cities did not pledge their sales tax revenue but their cities' network will be built when financing can be arranged that does not require a loan guarantee. There were 11 pledging members and 5 non-pledging members in UTOPIA at June 30, 2015. UTOPIA's purpose is to design, finance, build, operate, and maintain an open, wholesale, public telecommunication infrastructure that has the capacity to deliver high-speed connections to every home and business in the member communities.

The following is a summary of the more significant policies.

The Reporting Entity

In evaluating how to define UTOPIA for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether UTOPIA is able to exercise oversight responsibilities. UTOPIA does not have any component units, nor is it a component unit of any primary government.

Financial Statement Presentation and Basis of Accounting

UTOPIA prepares its financial statements on an enterprise fund basis, using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private businesses, where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Restricted Assets

UTOPIA maintains investments held by financial institutions for safekeeping of funds relating to service reserves. When both restricted and unrestricted assets are available, it is UTOPIA's policy to use restricted assets first, then unrestricted assets as they are needed.

Property and Equipment

Property and equipment are stated at cost, which includes capitalization of interest costs incurred during construction. Normal maintenance and repair expenses that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed asset. The net book value of property sold or otherwise disposed of is removed from the property and accumulated depreciation accounts and the resulting gain or loss is included as nonoperating revenues or expenses. Depreciation of property and equipment was computed using the straight-line method over the following estimated useful lives. Depreciation of inside plant and certain customer premise equipment was computed using an accelerated method over a 6 year life.

Outside plant and certain customer premise equipment	25 years
Office furniture and equipment and vehicles	3-5 years
Intangible rights	25 years

Cash and Cash Equivalents

UTOPIA considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For purposes of the statement of cash flows, cash and cash equivalents are defined as the cash accounts and the restricted cash equivalent accounts. Investments, in the form of accounts invested with the Utah Public Treasurer's Investment Fund (the State Treasurer's Pool) of UTOPIA are stated at cost, which approximates fair value.

Revenue Recognition

Revenue is generally recorded when the service has been provided, and profit is recognized at that time. Revenues are reported net of bad debt expense. Total bad debt expense related to revenues of the current period is $0.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is UTOPIA's best estimate of the amount of probable credit losses in the existing accounts receivable. UTOPIA has reserved $34,516 of accounts receivable.

Inventories

Inventories are stated at cost using the first-in first-out method.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports a separate section from assets for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. UTOPIA reports deferred charges on bond refundings, deferred outflows for interest rate swaps (hedging activities), and deferred outflows of resources relating to pensions. In addition, the statement of net position reports a separate section from liabilities for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. UTOPIA reports deferred inflows of resources relating to pensions.

Hedging Activities

UTOPIA accounts for hedging activities in accordance with GASB Statement No. 53 *Accounting for Financial Reporting for Derivative Instruments*. This standard requires that derivative instruments be reported at fair value, and that the changes in the fair value of instruments that are considered to be hedging derivative instruments and found to be effective, be reported as either deferred inflows or deferred outflows in the Statement of Net Position.

Pensions

For purposes of measuring the net pension liability, 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 Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by the URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 CASH AND INVESTMENTS

UTOPIA's deposit and investment policy is to follow the Utah Money Management Act. However, UTOPIA does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which UTOPIA is exposed.

NOTE 2 CASH AND INVESTMENTS (Continued)

Utah State law requires that UTOPIA's funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

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

As of June 30, 2015, UTOPIA had the following deposits and investments stated at carrying amount, which approximates fair value:

Deposit and investment type		Fair Value
Cash on deposit	$	499,821
Investments in Utah Public Treasurer's Investment Funds		8,757,276
	$	9,257,097

Cash on Deposit:
Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, UTOPIA's deposits may not be returned to it. As of June 30, 2015, $680,520 of the $933,977 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized. UTOPIA has no policy to manage this type of risk.

Investment in Utah Public Treasurer's Investment Funds (PTIF):
Interest rate risk. The risk that changes in the interest rate will have an adverse effect on the fair value of an investment. UTOPIA's investment PTIF is not subject to interest rate risk.

Credit risk. This is the risk that an issuer or other counter party to an investment will not fulfill its obligations. As of June 30, 2015, the PTIF in which UTOPIA has investments were unrated.

Concentration of credit risk. This is the risk of loss attributable to the magnitude of UTOPIA's investment in a single issuer. UTOPIA's investment in PTIF is not subject to a concentration of credit risk.

Custodial credit risk – investments. This is the risk that, in the event of the failure of the counterparty to a transaction, UTOPIA will not be able to recover the value of its investments that are in the possession of an outside party. UTOPIA's investment in PTIF has no custodial credit risk.

NOTE 3 PROPERTY AND EQUIPMENT

The following summarizes UTOPIA's property and equipment as of June 30, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 4,512,609	$ 862,928	$ -	$ 5,375,537
Total capital assets, not being depreciated	4,512,609	862,928	-	5,375,537
Capital assets, being depreciated:				
Outside plant	91,689,904	753,142	-	92,443,046
Inside plant	14,905,154	817,840	-	15,722,994
Customer premise equipment	13,419,251	66,033	-	13,485,284
Intangible right	1,624,040	-	-	1,624,040
Office furniture and equipment	1,099,939	-	-	1,099,939
Vehicles	461,601	-	-	461,601
Total capital assets, being depreciated	123,199,889	1,637,015	-	124,836,904
Less accumulated depreciation:				
Outside plant	(24,016,795)	(3,679,384)	-	(27,696,179)
Inside plant	(14,447,332)	(373,473)	-	(14,820,805)
Customer premise equipment	(7,134,399)	(371,627)	-	(7,506,026)
Intangible right	(505,299)	(64,936)	-	(570,235)
Office furniture and equipment	(997,190)	(53,039)	-	(1,050,229)
Vehicles	(440,337)	(7,401)	-	(447,738)
Total accumulated depreciation	(47,541,352)	(4,549,860)	-	(52,091,212)
Total capital asset, net of accumulated depreciation	75,658,537	(2,912,845)	-	72,745,692
Property and Equipment, net	$ 80,171,146	$ (2,049,917)	$ -	$ 78,121,229

Depreciation and amortization expense of $4,549,860 was charged to operating expense for the year ended June 30, 2015.

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended June 30, 2015.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds					
2011A tax exempt bonds	$ 109,972,235	$ -	$ (82,008)	$ 109,890,227	$ 215,400
2011B taxable bonds	74,997,973	-	(85,135)	74,912,838	186,486
Total revenue bonds	184,970,208	-	(167,143)	184,803,065	401,886
Capital leases					
Payson City	29,607	-	(29,607)	-	-
Total capital leases	29,607	-	(29,607)	-	-
Notes payable					
Pledging members	55,952,885	13,695,003	-	69,647,888	-
Non-pledging members	135,750	-	(135,750)	-	-
Layton RDA	96,076	-	(9,040)	87,036	9,130
Total notes payable	56,184,711	13,695,003	(144,790)	69,734,924	9,130
Compensated absences	237,883	28,436	-	266,319	159,274
Total Long-Term Debt	$ 241,422,409	$ 13,723,439	$ (341,540)	$ 254,804,308	$ 570,290

Revenue Bonds

Tax-Exempt Adjustable Rate Telecommunications and Sales Tax Revenue Refunding Bonds, Series 2011A, original issue of $110,000,000, mandatory sinking fund amounts due in quarterly installments beginning June 2013, interest payments due quarterly at 1-month LIBOR times 67%, which was .1552% at June 30, 2014, plus a spread which varies from .67% to 2.67%, with the final payment due June 2040. The bonds were issued to refund the Series 2008 revenue bonds which were issued to finance UTOPIA's infrastructure construction and retire the Series 2007, 2006, and 2004 Revenue Bonds.	$ 109,890,227
Taxable Adjustable Rate Telecommunications and Sales Tax Revenue Refunding Bonds, Series 2011B, original issue of $75,000,000, mandatory sinking fund amounts due in quarterly installments beginning December 2013, interest payments due monthly at 3-month LIBOR, which was .2307% at June 30, 2014, plus a spread which varies from .01% to 15%, with the final payment due June 2040. The bonds were issued to refund the Series 2008 revenue bonds which were issued to finance UTOPIA's infrastructure construction and retire the Series 2007, 2006, and 2004 Revenue Bonds.	74,912,838
Total revenue bonds	184,803,065
Less current portion	(401,886)
Noncurrent portion	$ 184,401,179

NOTE 4 LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

UTOPIA is required by the Series 2011 A & B bond covenants to charge users rates, including connection fees, for all services supplied by UTOPIA sufficient to pay the operation and maintenance expenses of the network. Should UTOPIA not have sufficient net revenues as described, UTOPIA is obligated to the fullest extent possible and as market forces permit to modify user rates to meet the covenant requirement.

UTOPIA is also required by the Series 2011 A & B bond covenants to build up a reserve of $535,140 for the 2011 A debt service reserve requirement and $364,860 for the 2011 B debt service reserve requirement. The reserves are to be funded, over time, to the extent that there are net revenues remaining after all operation and maintenance costs, bond interest payments, and required sinking fund payments have been made. The amount actually on reserve at June 30, 2015 for the 2011 A and 2011 B debt service is $60,546 and $30,736, respectively and is included in restricted cash equivalents.

At June 30, 2015, the aggregate debt service requirements of UTOPIA's debt and net receipts/payments on associated hedging derivative instruments are presented below. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for the term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on derivative instruments will vary. The hedging derivative, net column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting.

Year	Principal	Interest	Hedging Derivative, net	Total
2016	$ 401,886	$ 3,799,656	$ 9,352,556	$ 13,554,098
2017	702,005	3,804,729	9,323,248	13,829,982
2018	996,501	3,813,690	9,281,975	14,092,166
2019	1,290,771	3,824,548	9,226,255	14,341,574
2020	1,650,430	3,880,261	9,153,413	14,684,104
2021-2025	14,941,351	18,849,729	43,953,445	77,744,525
2026-2030	29,303,015	17,163,798	38,526,247	84,993,060
2031-2035	51,175,057	13,507,564	28,700,484	93,383,105
2036-2040	84,342,049	6,747,625	12,026,614	103,116,288
	$ 184,803,065	$ 75,391,600	$ 169,544,237	$ 429,738,902

NOTE 4 LONG-TERM DEBT (Continued)

Note Payable

The notes payable consist of the following:

Amounts owed to pledging members. These amounts reflect the use of pledging members contributions to trustee for payments as required by Taxable Adjustable Rate Advanced Communications Special Revenue and Refunding Bonds, Series 2008. Interest is accrued at the current PTIF rate which was 0.47% at June 30, 2014. These debts are subordinate to the Series 2011 A & B Telemmunications Special Revenue and Refunding Bonds and therefore will not be required to be paid back until that obligation is fulfilled.	$	69,647,888
Amount owing to Layton City Redevelopment Agency for the development of certain fiber optic intrastructure improvements. Principle and interest payments of $10,000 due annually beginning January 1, 2012 until January 2025. Interest at 1.0%.		87,036
Total Note Payable		69,734,924
Less current portion		(9,130)
Noncurrent portion	$	69,725,794

Future payments on the Layton City RDA notes payable for the years ending June 30 are as follows:

Year		Principal		Interest		Total
2016	$	9,130	$	870	$	10,000
2017		9,221		779		10,000
2018		9,313		687		10,000
2019		9,406		594		10,000
2020		9,501		500		10,001
2021-2025		40,465		1,055		41,520
	$	87,036	$	4,485	$	91,521

NOTE 5 PENSIONS

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System is a multiple employer, cost sharing, public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 Public Employees System 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 Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The System's defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S. Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Benefits Provided

URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

System	Final Average Salary	Years of Service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

** With actuarial reductions*

*** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases no met may be carried forward to subsequent years.*

NOTE 5 PENSIONS (Continued)

Contributions

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS 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. Contribution rates are as follows:

Utah Retirement System	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Contributory System			
111 - Local Governmental Division Tier 2	N/A	N/A	14.830%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%

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

At December 31, 2014, we reported a net pension asset of $3,436 and a net pension liability of $1,014,005.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.2335214%	$ -	$ 1,014,005
Tier 2 Public Employees System	0.1133770%	3,436	-
Total Net Pension Asset / Liability		$ 3,436	$ 1,014,005

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, we recognized pension expense of $272,245. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 5 PENSIONS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 34,762
Changes in assumptions	-	100,038
Net difference between projected and actual earnings on pension plan investments	23,328	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	205,558	-
Total	$ 228,886	$ 134,800

$205,558 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of Resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,		**Deferred Outflows (inflows) of Resources**
	2015	$ (27,254)
	2016	(27,254)
	2017	(27,254)
	2018	(25,955)
	2019	(601)
	Thereafter	(3,155)

Actuarial Assumptions

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50 – 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table.

NOTE 5 PENSIONS (Continued)

Retired Member Mortality Class of Member
Educators
Men EDUM (90%)
Women EDUF (100%)
Public Safety and Firefighters
Men RP 2000mWC (100%)
Women EDUF (120%)
Local Government, Public Employees
Men RP 2000mWC (100%)
Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage
EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage
RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 – December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate rages of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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:

	Expected Return Arithmetic Basis		
Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.75%
	Expected arithmetic nominal return		7.98%

NOTE 5 PENSIONS (Continued)

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. 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 that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's 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.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of			
Net pension (asset) / liability	$ 2,458,263	$ 1,010,569	$ (193,388)

Pension Plan Fiduciary Net Position

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

NOTE 6 DEFERRED COMPENSATION PLANS

UTOPIA contributes to a non-contributory defined contribution retirement benefit plan covering substantially all employees. Currently all of the assets and income of the 457 Plan are held in trust by the plan administrator for the exclusive benefit of the participants or their beneficiaries rather than as assets of UTOPIA. Employer contributions under this plan during the years ended June 30, 2015, 2014, and 2013, were $22,803, $14,419, and $24,963, respectively.

NOTE 6 DEFERRED COMPENSATION PLANS (Continued)

UTOPIA contributes to a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 401(k) for some employees covered by the State's contributory retirement plans. The plan, available to all permanent full-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. UTOPIA's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of contribution. UTOPIA participates at 2.41% of eligible salary. The rate of participation is determined by URS. During the year ended June 30, 2015, 2014, and 2013, contributions totaling $45,487, $37,636, and $25,188, respectively were made to the plan by UTOPIA.

NOTE 7 OPERATING LEASE

UTOPIA has entered into various operating leases to secure network operations facilities, office space and equipment. The current year's expense related to operating leases was $571,330. These leases range from 3 years to 20 years. Total remaining minimum lease payments at June 30, 2015, are as follows:

Year	Payments
2016	$ 725,524
2017	521,122
2018	420,802
2019	102,202
2020	12,202
2021-2025	61,010
2026	3,051
	$ 1,845,913

NOTE 8 COMMITMENTS AND CONTRACTS

Interlocal Cooperative Agreement

UTOPIA has entered into an Interlocal Cooperative Agreement with Utah Infrastructure Agency (UIA), wherein UIA will pay UTOPIA for network configuration, operation, and maintenance fees. The amount of the fees is determined based on the number of connections, subscribers, and services performed. The term of the amended agreement is for five years starting July 2010. UTOPIA recorded revenue from UIA of $364,212 for the year ended June, 30, 2015.

NOTE 9 UNEARNED REVENUE

Lease of Indefeasible Right of Use

UTOPIA has entered into an Interlocal Cooperative Indefeasible Right of Use Agreement with UIA, wherein UTOPIA grants UIA an indefeasible right of use of the UTOPIA fiber optic network, specifically the UIA routes. UIA will have this indefeasible right of use until April 30, 2041. UTOPIA has agreed to ensure that UIA route is properly maintained and perform repairs as necessary. Initially, the payments from UIA were scheduled to be quarterly for five years, with payments at $1,462,500 for the first four quarters, $1,100,000 for the next four quarters, $800,000 for the next eight quarters, and $750,000 for the final four quarters. In December 2013, management renegotiated the payment schedule with UIA. The new payments on the IRU are due monthly in the amount of $54,583.33. Prior accrued interest was forgiven. The unpaid balance of the Interlocal Cooperative Indefeasible Right to use Agreement at June 30, 2015 was $6,061,502. The net present value of the future lease payments on the note of $5,763,171 (discounted at a rate of 1.09%) has been recorded as a note receivable from UIA. The receivable portion, plus payments received for which revenue has not yet been recognized of $10,913,915, a total of $16,667,085 ($655,000 of which is current), is reported as unearned revenue and will be recognized evenly over the life of the 30 year contract.

NOTE 10 PLEDGING MEMBERS LIABILITY

The 11 Pledging Members of UTOPIA have pledged sales and use tax revenues to partially guarantee payment of UTOPIA's Revenue bonds. In return for the pledge, these members will be among the first cities to receive UTOPIA's services. In December of 2011, UTOPIA issued Series 2011 A & B revenue bonds with total principal of $185,000,000. The debt service payments will be met by the 11 Pledging Members. The Pledging Member's annual pledge is listed below for fiscal year 2015. Any amounts paid by Pledging Members to UTOPIA will be a loan to be repaid by UTOPIA.

Pledging Member	2015 Pledged & Paid	2016 Share of Total Max. Pledge	2016 Maximum Pledge *	Yearly Increase
Brigham City	$ 439,371	3.35%	$ 456,361	2%
Centerville City	436,978	3.33%	453,875	2%
Layton City	2,193,179	16.73%	2,277,987	2%
Lindon City	403,700	3.08%	419,311	2%
Midvale City	795,598	6.07%	826,363	2%
Murray City	1,615,214	12.32%	1,677,672	2%
Orem City	2,863,747	21.85%	2,974,485	2%
Payson City	259,920	1.91%	259,920	-
Perry City	107,783	0.82%	111,951	2%
Tremonton City	331,499	2.53%	344,318	2%
West Valley City	3,671,061	28.01%	3,813,017	2%
	$13,118,050	100.00%	$ 13,615,260	

* These amounts are the fiscal year 2016 maximum debt service that can be required of the Pledging Members for the months July 2015 through June 2016.

NOTE 11 DERIVATIVE ARRANGEMENTS

UTOPIA has two derivative contracts, in the form of interest rate swaps, that hedge against variable interest rate volatility by matching the cash flows provided by the Cities' pledges to the cash flows required for the debt service on the Series 2011 A & B bonds and the associated swap contracts.

The terms, fair values, and credit ratings of counterparties for the various swap agreements at June 30, 2015, are summarized in the following table:

Fixed Rate Paid by UTOPIA	Variable Rate Received by Counterparty	Outstanding Notional Amount	Fair Value	Changes in Fair Value Classification	Changes in Fair Value Amount	Swap Termination Date	Counterparty Credit Rating S&P	Counterparty Credit Rating Moody's	Counterparty Credit Rating Fitch
4.984%	LIBOR x 67% [1]	$ 109,890,227	$ (51,986,581)	Deferred Outflow	(4,312,435)	June 1, 2040	BBB+	Baa1	A-
5.665%	LIBOR + .05% [2]	74,912,838	(31,789,466)	Deferred Outflow	(3,194,097)	June 1, 2040	A-	Baa1	A

[1] One month U.S. Dollar London Interbank Offered Rate.
[2] Three month U.S. Dollar London Interbank Offered Rate.

The notional amounts of the swaps match the principal amounts of the associated debt. The swap agreements contain scheduled reduction in notional amounts that follow scheduled amortization of the associated debt.

Hedge effectiveness
UTOPIA used the variability-reduction cash flow method to evaluate the hedge effectiveness of the derivative contracts. This method compares the ratio of the net debt service (principal and interest on the bond less the Cities' pledge payment) for the year divided by interest paid on the swap for the year. The critical value for determining how large a reduction in variability is sufficient to demonstrate hedge effectiveness was 90 to 111 percent. At June 30, 2015, the actual critical value was 102 percent.

Fair Value
At June 30, 2015, the swaps had a combined negative fair value of $83,776,047. Because interest on the variable rate bonds adjusts to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was calculated under the terms of and conditions of the agreement. The swap provider is the calculation agent.

Credit Risk
Credit risk is the risk that the counterparty will not fulfill its obligations to UTOPIA. Should a swap be terminated when there is a positive value to UTOPIA, UTOPIA has the risk that the counterparty will not make the termination payment. Also, during the life of the swap, UTOPIA has the risk that the counterparty will not make the monthly swap payments and be exposed to variable interest rates. This risk has been mitigated by the highly rated counterparties in these transactions.

Termination Risk
UTOPIA or the counterparty may terminate the swap if either party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond will no longer carry a synthetic interest rate. Also, if at the time of the termination, the swap have a negative fair value, UTOPIA would be liable to the counterparty for an amount equal to the swap's fair value.

NOTE 12 PRIOR PERIOD ADJUSTMENT

During the year, UTOPIA implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement provides accounting and financial reporting guidelines for state and local governments for pensions. As required by GASBS 68, the provisions of the standard have been applied retroactively and the prior reported 2014 financial statements have been modified to reflect this change. The effect of the implementation on the major components of the 2014 financial statements is presented below:

	Total Assets and Deferred Outflows	Total Liabilities and Defereed Inflows	Net Position
June 30, 2014, as previously reported	$ 169,796,054	$ 336,457,525	$ (166,661,471)
Implementation of GASBS 68	184,283	1,260,884	(1,076,601)
June 30, 2014, as restated	$ 169,980,337	$ 337,718,409	$ (167,738,072)

REQUIRED SUPPLEMENTARY INFORMATION

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
December 31, 2014
Last 10 Fiscal Years *

	Noncontributory System	Tier 2 Public Employees System
Proportion of the net pension liability (asset)	0.2335214%	0.1133770%
Proportionate share of the net pension liability (asset)	$ 1,014,005	$ (3,436)
Covered employee payroll	$ 1,734,933	$ 557,276
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	58.4%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	103.5%

** In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset). The 10-year schedule will need to be built prospectively. The schedule above is only for the current year.*

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
SCHEDULE OF CONTRIBUTIONS
December 31, 2014
Last 10 Fiscal Years *

	Noncontributory System	Tier 2 Public Employees System
Contractually required contribution	$ 367,030	$ 46,776
Contributions in relation to the contractually required contribution	(367,030)	(46,776)
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 1,734,933	$ 557,276
Contributions as a percentage of covered-employee payroll**	21.16%	8.39%

** Amounts presented were determined as of calendar year January 1 - December 31. Employers will be required to prospectively develop this table in the future years to show 10-years of information. The schedule above is only for the current year.*
*** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.*