UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2020

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Utah Telecommunication Open Infrastructure Agency
Murray, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Utah Telecommunication Open Infrastructure Agency (UTOPIA), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise UTOPIA's basic 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 UTOPIA as of June 30, 2020, 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.

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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, the pension schedule of contributions, and the schedule of changes in the total OPEB liability and related ratios, 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 January 13, 2021, 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

Salt Lake City, Utah
January 13, 2021

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, 2020.

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 member cities promotes economic development and improves the quality of life for their residents. 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.

Eleven of the current UTOPIA member cities pledged sales tax revenues as partial loan guarantees in order to secure financing for the network. UTOPIA, along with a sister company, Utah Infrastructure Agency (UIA), is constructing a wholesale advanced communications network within the borders of its member cities. The network is built with fiber-to-the-premises technology, which transmits information at the speed of light, significantly faster than existing copper, cable, 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 has become the gold standard for "the last mile" into homes and businesses. The member cities of UTOPIA were early to recognize this trend and are installing the fiber-optic cable necessary to connect each member city and the homes and businesses within each city.

To help facilitate growth, several cities formed another inter-local entity named the Utah Infrastructure Agency (UIA) in June of 2010. 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.

Twenty-five service providers – including XMission, Veracity, SumoFiber, Beehive, and First Digital. - were actively providing services and a total of 30,993 homes and businesses had subscribed to services at year end on the combined UTOPIA/UIA network. This represents 27% of addresses passed by the network. Current plans of UTOPIA/UIA include completion of the network within the eleven pledging UTOPIA member cities by 2022. Seven of the eleven pledging cities are substantially built out. Future growth of the network outside of the UTOPIA cities will be largely demand-based, bringing the network first to those areas that will bring the best return on investment. UIA continues to make significant progress towards the project's original mission: to build and maintain a fiber network to service all of the businesses and residents in UTOPIA's member cities.

As of the end of June 2020, approximately 3,500 miles of fiber cable have been placed within the boundaries of the eleven members cities. Within footprints serviced by 175 hut sites, there are approximately 135,000 addresses which could immediately subscribe for services on the UTOPIA/UIA network. Once the network is completely built out within the pledging UTOPIA cities, approximately 150,000 addresses will be able to subscribe for services.

Highlights

Financial highlights include:

- Average monthly recurring subscriber revenues increased slightly from $567,200 in FY 2019 to $574,200 in FY 2020. Essentially all new subscribers on the UTOPIA/UIA network are customers of UIA. The consistency in UTOPIA's recurring revenue indicates that UTOPIA has maintained its existing customer base.
- Total operating revenues increased by 13% in fiscal year 2020.

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 t 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.

Operating revenues for the fiscal year fell short of estimated revenues by approximately $1 million, or 8% of budgeted revenue. The most significant difference resulted from the lack of monthly installments on the Indefeasible Right of Use (IRU) agreement with UIA. UTOPIA budgets on a cash basis, and the IRU was paid in full by UIA in FY 2019. Operating expenses (expenses excluding interest and depreciation) were below budget by $208,300. The loss from operations increased from $(4,689,900) in fiscal year 2019 to $(5,634,100) in fiscal year 2020; however, $4,971,00 of the loss is depreciation, a non-cash item. The additional increase in expenditures in fiscal year 2020 include $294,600 representing the full accrual of compensated absences, $108,700 in OPEB expense, and payroll costs for the addition of seven operations employees.

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Table 1 – A Summary of the Agency's Statement of Net Position is presented below. The increase in the Net Position deficit is generally attributable to the interest rate swap liability (from $82,582,900 in fiscal year 2019 to $110,134,500 in fiscal year 2020).

	2020	2019
Current and other assets	$ 3,490,334	$ 3,600,663
Capital assets	62,823,409	67,136,743
Total Assets	66,313,743	70,737,406
Deferred outflows of resources	113,152,110	85,404,376
Current and other Liabilities	5,615,736	4,277,774
Long-term liabilities outstanding	455,600,467	412,710,476
Total Liabilities	461,216,203	416,988,250
Deferred inflows of resources	755,725	64,798
Net investment in capital assets	(114,433,006)	(112,733,653)
Restricted	514,786	176,733
Unrestricted	(168,587,855)	(148,354,346)
Net Position	$ (282,506,075)	$ (260,911,266)

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

	2020	2019
Revenues:		
Operating revenues	$ 12,036,664	$ 10,658,512
Interest income	34,355	44,974
Other revenues	27,489	52,272
Total Revenues	12,098,508	10,755,758
Expenditures:		
General and administrative	9,839,881	7,572,963
Network	2,859,885	2,753,330
Depreciation	4,970,990	5,022,095
Bond interest and fees	16,022,561	16,581,451
Total Expenditures	33,693,317	31,929,839
Change in net position	(21,594,809)	(21,174,081)
Total net position, beginning of year	(260,911,266)	(239,737,185)
Total net position, end of year	$ (282,506,075)	$ (260,911,266)

Capital Assets and Debt Administration

UTOPIA's capital assets, net of depreciation, were $62.8 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, 2020, UTOPIA's outstanding debt amounted to $330.2 million. $179.8 million (revenue bonds payable) is secured by the 11 pledging members' sales tax pledges. $150.4 million is due to the pledging cities for their actual payments of those sales tax pledges plus accrued interest. The debt to the pledging member cities is subordinate to the revenue bonds and is not required to be repaid until the revenue bonds are paid in full.

Table 3 - Summary of the Agency's Capital Assets

	2020	2019
Construction in progress	$ 8,567	$ 1,604,178
Outside plant	56,144,086	58,674,731
Inside plant	126,711	221,350
Customer premise equipment	5,182,580	5,587,583
Intangible right	728,769	793,883
Office furniture and equipment	96,755	96,776
Vehicles	535,941	157,972
	$ 62,823,409	$ 67,136,473

Table 4 - Summary of the Agency's Debt

	2020	2019
Revenue bonds payable	$ 179,761,471	$ 181,411,901
Notes payable	150,442,004	132,877,320
	$ 330,203,475	$ 314,289,221

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, 5858 S 900 E Murray, UT 84121.

BASIC FINANCIAL STATEMENTS

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
STATEMENT OF NET POSITION
June 30, 2020

Assets		
Current Assets:		
Cash	$	275,022
Trade receivables, net		476,601
Prepaid expenses		198,248
Costs of uncompleted contracts in excess of related billings		957,021
Restricted cash equivalents		1,362,692
Total Current Assets		3,269,584
Noncurrent assets:		
Restricted cash equivalents		220,750
Capital Assets:		
Construction in progress		8,567
Assets, net of accumulated depreciation:		
Fiber optic network		62,182,146
Office furniture and equipment		96,755
Vehicles		535,941
Total Noncurrent Assets		63,044,159
Total Assets		66,313,743
Deferred Outflows of Resources		
Interest rate swaps		110,134,497
Deferred charge on bond refunding		1,515,687
Pensions		796,905
OPEB		705,021
Total Deferred Outflows of Resources		113,152,110
Total Assets and Deferred Outflows of Resources	$	179,465,853

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

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
STATEMENT OF NET POSITION (Continued)
June 30, 2020

Liabilities		
Current Liabilities:		
Accounts payable	$	512,170
Accrued liabilities		930,328
Compensated absences		389,687
Interest payable from restricted assets		1,068,656
Note payable, current portion		9,595
Unearned revenue, current portion		655,000
Revenue bonds payable, current portion		2,050,300
Total Current Liabilities		5,615,736
Noncurrent Liabilities:		
Compensated absences		435,621
Note payable, noncurrent portion		150,432,409
Unearned revenue, noncurrent portion		13,045,417
Revenue bonds payable, noncurrent portion		177,711,171
Net pension liaiblity		1,107,141
Net OPEB liability		2,734,211
Interest rate swaps liability		110,134,497
Total Noncurrent Liabilities		455,600,467
Total Liabilities		461,216,203
Deferred Inflows of Resources		
Pension		592,935
OPEB		162,790
Total Deferred Inflows of Resources		755,725
Net Position		
Net investment in capital assets		(114,433,006)
Restricted for:		
Debt service		514,786
Unrestricted		(168,587,855)
Total Net Position		(282,506,075)
Total Liabilites, Deferred Inflows of Resources and Net Position	$	179,465,853

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, 2020

Operating Revenues:	
Access fees	$ 6,884,125
Fiber lease revenue	655,000
Installation revenue	13,410
Network operations revenue	4,445,694
Miscellaneous operating revenue	38,435
Total Operating Revenues	12,036,664
Operating Expenses:	
Payroll	7,996,403
Material and supplies	1,619,057
Professional services	224,421
Network	2,859,885
Depreciation	4,970,990
Total Operating Expenses	17,670,756
Operating Income (Loss)	(5,634,092)
Nonoperating Revenues (Expenses):	
Interest income	34,355
Miscellaneous nonoperating revenue	2,622
Bond interest and fees	(16,022,561)
Gain on disposal of assets	24,867
Total Nonoperating Revenues (Expenses)	(15,960,717)
Change In Net Position	(21,594,809)
Total Net Position, Beginning of Year	(260,911,266)
Total Net Position, End of Year	$ (282,506,075)

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, 2020

Cash Flows From Operating Activities:	
Cash received from customers and users	$ 12,527,059
Cash received from long-term contracts	3,388,608
Payments to suppliers	(8,793,955)
Payments to employees	(6,349,843)
Net cash provided by operating activities	771,869
Cash Flows From Capital and Related Financing Activities:	
Purchase of property and equipment	(657,656)
Proceeds from sale of capital assets	24,867
Proceeds from network installations	2,622
Proceeds from note payable	14,772,286
Bond interest and fees	(13,120,119)
Principal paid on notes payable, and bonds payable	(1,659,931)
Net cash provided by capital and related financing activities	(637,931)
Cash Flows From Investing Activity:	
Interest income	34,355
Net cash provided by investing activity	34,355
Net Increase in Cash and Cash Equivalents	168,293
Cash and Cash Equivalents, Beginning of Year	1,690,171
Cash and Cash Equivalents, End of Year	$ 1,858,464

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, 2020

Reconciliation of operating loss to net cash from operating activities:

Operating income (loss)	$	(5,634,092)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization expense		4,970,990
(Increase) decrease in assets related to operations		
Trade receivables, net		1,145,395
Prepaid expenses		90,248
Costs of completed contracts in excess of related billings		(957,021)
Pension		396,262
OPEB		(668,143)
Increase (decrease) in liabilities related to operations		
Accounts payable		164,789
Accrued liabilities		737,916
Compensated absences		473,075
Unearned revenue		(655,000)
Pension		(370,646)
OPEB		1,078,096
Net Cash Provided by Operating Activities	$	771,869

Supplemental Information

Noncash Investing, Capital, and Financing Activities:

Interest added to Notes Payable	$	2,801,899

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 4 non-pledging members in UTOPIA at June 30, 2020. 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.

In evaluating how to define UTOPIA for financial reporting purposes, management has considered all potential component units. The decision as to whether or not 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.

The following is a summary of the more significant policies.

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 debt 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 through June 30, 2019. 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 six-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 and Cost 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 $12,539.

UTOPIA recognizes revenue from construction contracts on the completed-contract method where revenues and expenses are recognized when contracts are substantially completed. This method is used because management lacks dependable estimates on the progress of the contracts.

UTOPIA acts as the contractor and subcontracts out the required infrastructure improvements. Contract costs include all direct costs billed by the subcontractor, which includes direct materials and labor. Provisions for estimated losses on uncompleted contracts are made in the period in which the losses are determined. Management determined that provisions for losses were unnecessary for the year ended June 30, 2020.

The asset costs of uncompleted contracts in excess of related billings represents the amount of contract costs incurred in excess of amounts billed.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

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 $20,000 of accounts receivable.

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) until then. UTOPIA reports deferred charge on bond refunding, deferred outflows for interest rate swaps (hedging activities), and deferred outflows of resources relating to pensions and OPEB. 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 and OPEB.

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

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, 2020, UTOPIA had the following deposits and investments stated at carrying amount, which approximates fair value:

Deposit and investment type	**Fair Value**
Cash on deposit	$ 274,479
Investments in Utah Public Treasurer's Investment Funds	1,583,985
	$ 1,858,464

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, 2020, $84,892 of the $334,892 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investment in Utah Public Treasurer's Investment Fund (PTIF)

The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

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, 2020, the PTIF in which UTOPIA has investments were unrated.

NOTE 2 CASH AND INVESTMENTS (Continued)

Investment in PTIF (Continued)
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.

UTOPIA categorizes the fair value measurements of its investments based on the hierarchy established by general accepted accounting principles. The fair value hierarchy, which has three levels, is based on valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Fair value measurements of UTOPIA's investments in PTIF at June 30, 2020, or $1,583,985, are based on significant other observable inputs (Level 2 inputs).

NOTE 3 PROPERTY AND EQUIPMENT

The following summarizes UTOPIA's property and equipment as of June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 1,604,178	$ 9,329	$ (1,604,940)	$ 8,567
Total capital assets, not being depreciated	1,604,178	9,329	(1,604,940)	8,567
Capital assets, being depreciated:				
Outside plant	102,507,996	1,604,929	-	104,112,925
Inside plant	2,791,793	43,908	-	2,835,701
Customer premise equipment	9,822,749	-	(263)	9,822,486
Intangible right	1,624,040	-	-	1,624,040
Office furniture and equipment	905,043	52,127	-	957,170
Vehicles	498,992	552,566	(119,422)	932,136
Total capital assets, being depreciated	$118,150,613	$ 2,253,530	$ (119,685)	$120,284,458

NOTE 3 PROPERTY AND EQUIPMENT (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Less accumulated depreciation:				
Outside plant	$(43,833,265)	$ (4,135,574)	$ -	$(47,968,839)
Inside plant	(2,570,443)	(138,547)	-	(2,708,990)
Customer premise equipment	(4,234,896)	(405,010)	-	(4,639,906)
Intangible right	(830,157)	(65,114)	-	(895,271)
Office furniture and equipment	(808,267)	(52,148)	-	(860,415)
Vehicles	(341,020)	(174,597)	119,422	(396,195)
Total accumulated depreciation	(52,618,048)	(4,970,990)	119,422	(57,469,616)
Total capital asset, net of accumulated depreciation	65,532,565	(2,717,460)	(263)	62,814,842
Property and Equipment, net	$ 67,136,743	$ (2,708,131)	$ (1,605,203)	$ 62,823,409

Depreciation and amortization expense of $4,970,990 was charged to operating expense for the year ended June 30, 2020.

NOTE 4 LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended June 30, 2020.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds from direct placements					
2011A tax exempt bonds	$ 108,007,172	$ -	$ (934,890)	$ 107,072,282	$ 1,160,435
2011B taxable bonds	73,404,729	-	(715,540)	72,689,189	889,865
Total revenue bonds from direct placements	181,411,901	-	(1,650,430)	179,761,471	2,050,300
Notes payable from direct borrowings					
Pledging members	132,827,354	17,574,185	-	150,401,539	-
Layton RDA	49,966	-	(9,501)	40,465	9,595
Total notes payable from direct borrowings	132,877,320	17,574,185	(9,501)	150,442,004	9,595
Compensated absences	352,233	790,085	(317,010)	825,308	389,687
Net pension liability	2,007,704	-	(900,563)	1,107,141	-
Net OPEB liability	1,817,125	917,086	-	2,734,211	-
Total long-term debt	$ 318,466,283	$ 19,281,356	$ (2,877,504)	$ 334,870,135	$ 2,449,582

NOTE 4 LONG-TERM DEBT (Continued)

Revenue Bonds from Direct Placements

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, which was 0.16225% at June 30, 2020, times 67% 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. The bonds contain a provision that in the event UTOPIA fails to pay all or part of the principal or interest when due, the shortfall amount shall accrue interest at the current rate as described above plus 3% until paid.	$ 107,072,282
Tax-Exempt 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 0.30200% at June 30, 2020, 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. The bonds contain a provision that in the event UTOPIA fails to pay all or part of the principal or interest when due, the shortfall amount shall accrue interest at the current rate as described above plus 3% until paid.	72,689,189
Total revenue bonds from direct placements	179,761,471
Less current portion	(2,050,300)
Noncurrent portion	$ 177,711,171

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.

NOTE 4 LONG-TERM DEBT (Continued)

Revenue Bonds from Direct Placements (Continued)

UTOPIA is also required by the Series 2011 A & B bond covenants to build up a reserve of $535,140 for the 2011A debt service reserve requirement and $364,860 for the 2011B 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, 2020 for the 2011A and 2011B debt service is $153,566 and $67,184, respectively, and is included in restricted cash equivalents.

At June 30, 2020, 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
2021	$ 2,050,300	$ 3,841,664	$ 9,043,290	$ 14,935,254
2022	2,483,093	3,807,361	8,931,407	15,221,861
2023	2,958,482	3,768,877	8,797,079	15,524,438
2024	3,443,840	3,712,440	8,638,060	15,794,340
2025	4,005,636	3,700,852	8,453,301	16,159,789
2026-2030	29,303,015	17,147,023	38,447,295	84,897,333
2031-2035	51,175,056	13,494,598	28,641,847	93,311,501
2036-2040	84,342,049	6,741,976	12,002,129	103,086,154
	$ 179,761,471	$ 56,214,791	$ 122,954,408	$ 358,930,670

Notes Payable from Direct Borrowings

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 0.9353% at June 30, 2020. 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. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.	$ 150,401,539

NOTE 4 LONG-TERM DEBT (Continued)

Notes Payable from Direct Borrowings (Continued)

Amount owing to Layton City Redevelopment Agency for the development of certain fiber optic intrastructure improvements. Principal and interest payments of $10,000 due annually beginning January 1, 2012 until January 2025. Interest at 1.0% or the current PTIF rate, whichever is greater. Current PTIF rate is 0.9353%. Any non-payment of amounts due may be deemed a default and subject to having the entire balance become due and payable. Unpaid amounts shall accrue interest expense at 6%.	$ 40,465
Total notes payable from direct borrowings	150,442,004
Less current portion	(9,595)
Noncurrent portion	$ 150,432,409

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

Year	Principal	Interest	Total
2021	$ 9,595	$ 405	$ 10,000
2022	9,691	309	10,000
2023	9,788	212	10,000
2024	9,886	114	10,000
2025	1,505	15	1,520
	$ 40,465	$ 1,055	$ 41,520

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.

NOTE 5 PENSIONS (Continued)

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 age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

** Actuarial reductions are applied.*
*** 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 not met may be carried forward to subsequent years.*

Contribution Rate Summary
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 Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

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

NOTE 5 PENSIONS (Continued)

Contribution rates as of June 30, 2020 are as follows:

Utah Retirement System	Employee Paid	Employer Contribution Rates	Employer Rate for 401(k) Plan
Contributory System			
111 - Local Governmental Division Tier 2	N/A	15.66%	1.03%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	18.47%	N/A
Tier 2 DC Only			
211 Local Government	N/A	6.69%	10.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2020, the employer and employee contributions to the Systems were as follows:

System	**Employer Contributions**	**Employee Contributions**
Noncontributory System	$ 350,275	N/A
Tier 2 Public Employees System	345,174	$ -
Tier 2 DC Only System	55,866	N/A
Total Contributions	$ 751,315	$ -

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

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

At June 30, 2020, we reported a net pension asset of $0 and a net pension liability of $1,107,141.

	Measurement Date: December 31, 2019			Proportionate Share	
	Net Pension Asset	Net Pension Liabilitiy	Proportionate Share	December 31, 2018	Change
Noncontributory System	$ -	$ 1,079,520	0.2864309%	0.2655702%	0.0208607%
Tier 2 Public Employees System	-	27,621	0.1228107%	0.1216916%	0.0011191%
Total Net Pension Asset / Liability	$ -	$ 1,107,141			

NOTE 5 PENSIONS (Continued)

The net pension asset and liability were measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2020, we recognized pension expense of $776,300.

At June 30, 2020, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 105,922	$ 24,986
Changes in assumptions	126,128	794
Net difference between projected and actual earnings on	-	567,155
Changes in proportion and differences between contributions and proportionate share of contributions	166,980	-
Contributions subsequent to the measurement date	397,875	-
Total	$ 796,905	$ 592,935

$397,875 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, 2019.

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**
2020	$ 35,404
2021	(63,682)
2022	30,231
2023	(213,320)
2024	2,726
Thereafter	14,736

NOTE 5 PENSIONS (Continued)

Actuarial Assumptions
The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 – 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2019, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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 Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real Assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

NOTE 5 PENSIONS (Continued)

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount Rate – The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates 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. The discount rate does not use the Municipal Bond Index Rate. The discount rate was unchanged from the prior measurement period.

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 6.95% 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 (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
System			
Noncontributory System	$ 3,371,718	$ 1,079,520	$ (832,149)
Tier 2 Public Employees System	238,188	27,621	(135,109)
Total	$ 3,609,906	$ 1,107,141	$ (967,258)

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 DEFINED CONTRIBUTION SAVINGS PLANS

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

UTOPIA participates in the 401(k), 457(b), and Roth IRA Defined Contribution Savings Plans with Utah Retirement Systems.

NOTE 6 DEFINED CONTRIBUTION SAVINGS PLANS (Continued)

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:

401(k) Plan	2020	2019	2018
Employer Contributions	$ 106,211	$ 88,159	$ 84,161
Employee Contributions	24,211	33,853	26,399
457(b) Plan			
Employer Contributions	24,678	19,933	18,886
Employee Contributions	60,443	80,532	107,789
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	2,820	830	-

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

In addition to providing pension benefits through the Utah Retirement Systems, UTOPIA provides other postemployment benefits (OPEB) through a single-employer defined benefit plan and is administered by UTOPIA. The benefits, benefits levels, employee contributions and employer contributions were adopted by the Board and can be amended by the Board at any time.

Employees of UTOPIA who retire directly from the UTOPIA under the Utah Retirement System (URS) are eligible to receive ongoing contributions towards medical and dental insurance for a period of years equal to their years of service with UTOPIA. Benefits may continue beyond age 65 in which case PEHP Medicare Supplement benefits will be provided. The contribution formula is identical to that for active employees; that is, UTOPIA contributes 80% of the cost (including dependent coverage, if elected) and the employee or retiree contributes 20% of the cost. UTOPIA is following retirement eligibility provisions from URS as being applicable to UTOPIA Retirees.

An employee may retire after having met any of the following rules:

1) Age 65 with 4 years of service
2) Age 62 with 10 years of service
3) Age 60 with 20 years of service
4) 25 years with actuarial reduction at any age (not used for valuation)
5) 30 years with no reduction at any age (35 years for employees hired on or after July 1, 2011)

The plan does not issue a separate report. The activity of the plan is reported in the UTOPIA financial statements.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy

The funding policy for this benefit is a “Pay-as-you-go” method. As benefit payments are required UTOPIA will fund those requires at that time.

Net OPEB liability, deferred outflow and deferred inflows of resources related to OPEB and OPEB expense

At June 30, 2020 UTOPIA did not have a net asset because of its funding method. UTOPIA reported a net OPEB liability of $2,734,211, which was measured as June 30, 2020 by an actuarial valuation using generally accepted actuarial procedures.

At June 30, 2020 the reported deferred outflows of resources and deferred inflow of resources related to OPEB are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 162,790
Changes in assumptions	705,021	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
	$ 705,021	$ 162,790

The amounts reported as deferred outflows of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	Net Deferred Outflows (Inflows) of Resources
2021	$ 41,918
2022	41,918
2023	41,918
2024	41,918
2025	41,918
Thereafter	332,641

For the year ending June 30, 2020, UTOPIA recognized an actuarially calculated OPEB expense of $409,953.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB plan covered employees

As of June 30, 2020, UTOPIA did not have any inactive employees receiving benefits, nor did the plan have any inactive employees entitled to but not receiving benefits or active employees in the plan.

Actuarial Assumptions

The actuarial valuation calculating the total net OPEB liability as of June 30, 2020 was determined using the following actuarial assumptions with a measurement date of June 30, 2020.

Inflation rate	2.25%
Discount Rate	2.20%
Health Care Trend Rate	6.00% for 2020, decreasing to 5.00% for 2021 and after

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males and Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for year 2014 to 2019, 50% of MP-2016 for years 2030 to 2049 and 20% of MP-2016 for 2050 and after.

Discount rate

The discount rate used to measure the total OPEB liability was 2.20 percent. This rate was based on Bond Buyer 20-Bond General Obligation index.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability calculated using the discount rate of 2.20 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.20 percent) or 1-percentage-point higher (3.20 percent) than the current rate:

	1% Decrease (1.20%)	Discount Rate (2.20%)	1% Increase (3.20%)
Net OPEB liability as June 30, 2020	$ 3,506,704	$ 2,734,211	$ 2,155,601

Sensitivity of the net OPEB liability to changes in the health care trend rate

The following presents the net OPEB liability calculated using the health care trend rate range from 6.00 to 5.00 percent, as well as what the net OPEB liability would be if it were calculated using a health care trend rate range that is 1-percentage-point lower (5.00 to 4.00 percent) or 1-percentage-point higher (7.00 to 6.00 percent) than the current rate range:

	1% Decrease (5.0% to 4.0%)	Current Rates (6.0% to 5.0%)	1% Increase (7.0% to 6.0%)
Net OPEB liability as June 30, 2020	$ 2,018,450	$ 2,734,211	$ 3,772,964

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (Continued)

Net OPEB liability

The following is the schedule of changes in the OPEB liability for the actuarial measurement date of June 30, 2020:

Total OPEB Liability (TOL)	
Service cost at beginning of year	$ 294,141
Interest on TOL plus service cost, less 1/2 benefit payments	73,894
Changes of benefit terms	-
Difference between actual and expected experience*	(173,543)
Changes of assumptions**	722,594
Benefit payments	-
Net Change in Total OPEB Liability	917,086
Total OPEB Liability, Beginning	1,817,125
Total OPEB Liability, Ending	$ 2,734,211

*Benefit payments less than expected.

**Change in discount rate from 3.50% as of June 30, 2019 to 2.20% as of June 30, 2020.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the actuarially determined contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 8 OPERATING LEASES

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 $907,258. These leases range from 3 years to 20 years. Total remaining minimum lease payments at June 30, 2020, are as follows:

Year	Payments
2021	$ 896,164
2022	430,370
2023	299,570
2024	169,770
2025	169,770
2026-2029	488,395
	$ 2,454,039

NOTE 9 RELATED PARTY COMMITMENTS AND CONTRACTS

Related Party

Management has determined that UTOPIA and UIA are related parties. During the year UTOPIA charged UIA a management fee of $2,212,400 for administration, accounting/finance, marketing, customer service and outside plant maintenance performed on behalf of UIA. Since UIA's inception in 2011, UIA has paid a total of approximately $4,700,000 to UTOPIA for management services and UTOPIA has donated management services to UIA valued at approximately $4,100,000. UTOPIA did not donate management services to UIA during the year ended June 30, 2020.

UTOPIA also leases a building from UIA under an operating lease agreement entered into on May 1, 2017. The term of the lease is five years with a one-year auto renewal. Payments to UIA from UTOPIA for rent totaled $141,600 for the year ended June 30, 2020.

As of June 30, 2020, UTOPIA has $577,484 in accrued liabilities due to UIA.

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 agreement is renewed annually. UTOPIA recorded revenue from UIA of $2,233,294 for the year ended June 30, 2020. Since UIA's inception in 2010, UIA has paid a total of approximately $6,500,000 to UTOPIA for services related to the Interlocal Cooperative Agreement.

NOTE 10 UNEARNED REVENUE

Indefeasible Right of Use

UTOPIA has entered into an Interlocal Cooperative Indefeasible Right of Use (IRU) 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 the UIA route is properly maintained and perform repairs as necessary. Initially, the payments from UIA were scheduled to be made quarterly for five years, with payments of $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. Prior accrued interest was forgiven. The remaining unpaid balance of the Interlocal Cooperative Indefeasible Right of Use Agreement was paid off in 2019. The payments received for which revenue has not yet been recognized of $13,700,417 ($655,000 of which is current) is reported as unearned revenue and will be recognized evenly over the remaining life of the 30-year contract.

NOTE 11 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 were 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 have thus far been covered entirely by the 11 Pledging Members.

The Pledging Member's annual pledge is listed below for fiscal year 2020. Any amounts paid by Pledging Members to UTOPIA constitute a loan to be repaid by UTOPIA.

Pledging Member	2020 Pledged	2020 Paid	2021 Share of Total Max. Pledge	2021 Maximum Pledge *	Yearly Increase June 1,
Brigham City	$ 494,803	$ 494,803	3.36%	$ 504,700	2%
Centerville City	492,108	492,927	3.34%	501,950	2%
Layton City	2,469,876	2,469,876	16.76%	2,519,273	2%
Lindon City	454,632	453,876	3.09%	463,725	2%
Midvale City	895,972	895,972	6.08%	913,892	2%
Murray City	1,818,993	1,818,993	12.34%	1,855,373	2%
Orem City	3,225,045	3,225,045	21.89%	3,289,546	2%
Payson City	259,920	281,580	1.73%	259,920	-
Perry City	121,381	131,681	0.82%	123,809	2%
Tremonton City	373,322	373,322	2.53%	380,789	2%
West Valley City	4,134,211	4,134,211	28.06%	4,216,895	2%
	$ 14,740,263	$ 14,772,286	100.00%	$ 15,029,872	

* These amounts are the fiscal year 2021 maximum debt service that can be required of the Pledging Members for the months July 2020 through June 2021.

NOTE 12 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, 2020, 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		Swap Termination Date	Counterparty Credit Rating		
				Classification	Amount		S&P	Moody's	Fitch
4.984%	LIBOR x 67% [1]	$ 107,072,282	$ (63,694,637)	Deferred Outflow	(14,200,107)	June 1, 2040	A-	A3	A-
5.665%	LIBOR + .05% [2]	72,689,189	(46,439,860)	Deferred Outflow	(13,351,530)	June 1, 2040	A+	Aa2	AA-

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

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

NOTE 12 DERIVATIVE ARRANGEMENTS (Continued)

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, 2020, the actual critical value was 101%.

Fair Value

At June 30, 2020, the swaps had a combined negative fair value of $110,134,497. The interest on the variable rate bonds adjusts to changing interest rates, so the bonds do not have a corresponding fair value increase. The fair value was calculated under the terms of and conditions of the agreement and is based on significant other observable inputs (Level 2 inputs on the fair value hierarchy described in Note 2). 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 swaps have a negative fair value, UTOPIA would be liable to the counterparty for an amount equal to the swap's fair value.

REQUIRED SUPPLEMENTARY INFORMATION

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2020
Last 10 Fiscal Years *

Measurement Date: December 31,	Noncontributory System	Contributory Retirment System	Tier 2 Public Employees Retirement System
Proportion of the net pension liability (asset)			
2014	0.2335214%	0.0000000%	0.1133770%
2015	0.2113754%	0.0000000%	0.1462471%
2016	0.2253385%	0.0000000%	0.1541564%
2017	0.2353673%	0.0000000%	0.1387905%
2018	0.2655702%	0.0000000%	0.1269160%
2019	0.2864309%	0.0000000%	0.1228107%
Proportionate share of the net pension liability (asset)			
2014	$ 1,014,005	$ -	$ (3,436)
2015	1,196,065	-	(319)
2016	1,196,065	-	17,196
2017	1,031,215	-	12,237
2018	1,955,586	-	52,118
2019	1,079,520	-	27,621
Covered payroll			
2014	$ 1,734,933	$ -	$ 557,276
2015	1,438,880	-	944,950
2016	1,438,880	930	1,264,204
2017	1,498,087	-	1,358,551
2018	1,786,776	-	1,421,924
2019	1,900,543	-	1,705,838
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll			
2014	58.45%	0.00%	-0.62%
2015	83.12%	0.00%	-0.03%
2016	83.12%	0.00%	1.36%
2017	68.84%	0.00%	0.90%
2018	109.45%	0.00%	3.67%
2019	56.80%	0.00%	1.62%
Plan fiduciary net position as a percentage of the total pension liability (asset)			
2014	90.2%	0.0%	103.5%
2015	87.8%	0.0%	100.2%
2016	87.8%	92.9%	95.1%
2017	91.9%	0.0%	97.4%
2018	87.0%	0.0%	90.8%
2019	93.7%	0.0%	96.5%

** The 10-year shcedule will be built prospectively. The schedule above is only for the years listed.*

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
PENSION SCHEDULE OF CONTRIBUTIONS
June 30, 2020
Last 10 Fiscal Years *

For the fiscal year ended June 30,	Noncontributory System	Tier 2 Public Employees System **	Tier 2 Public Employees DC Only System **
Actuarial Determined Contributions			
2014	$ 315,590	$ 63,526	$ 16,972
2015	299,318	113,880	22,248
2016	264,948	162,226	24,363
2017	254,145	202,004	30,219
2018	322,187	213,849	41,344
2019	344,446	228,267	47,677
2020	350,275	345,174	55,866
Contributions in relation to the contractually required Contributions			
2014	$ 315,590	$ 63,526	$ 16,972
2015	299,318	113,880	22,248
2016	264,948	162,226	24,363
2017	254,145	202,004	30,219
2018	322,187	213,849	41,344
2019	344,446	228,267	47,677
2020	350,275	345,174	55,866
Contribution deficiency (excess)			
2014	$ -	$ -	$ -
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
Covered payroll			
2014	$ 1,825,271	$ 454,084	$ 304,162
2015	1,620,561	762,246	331,080
2016	1,434,475	1,088,035	364,176
2017	1,375,989	1,354,825	451,697
2018	1,744,935	1,415,279	617,996
2019	1,864,896	1,468,902	712,666
2020	1,896,452	2,204,179	835,078
Contributions as a percentage of covered payroll			
2014	17.29%	13.99%	5.58%
2015	18.47%	14.94%	6.72%
2016	18.47%	14.91%	6.69%
2017	18.47%	14.91%	6.69%
2018	18.46%	15.11%	6.69%
2019	18.47%	15.54%	6.69%
2020	18.47%	15.66%	6.69%

** The 10-year shcedule will be built prospectively. The schedule above is only for the years listed.*

*** Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.*

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
June 30, 2020
Last 10 Fiscal Years *

Total OPEB Liability (TOL)	**2020**	**2019**	**2018**
Service cost at beginning of year	$ 294,141	$ 236,781	$ 229,884
Interest on TOL plus service cost, less 1/2 benefit payments	73,894	61,797	51,455
Changes of benefit terms	-	-	-
Difference between actual and expected experience	(173,543)	(1,917)	-
Changes of assumptions	722,594	39,715	-
Benefit payments	-	-	-
Net Change in Total OPEB Liability	917,086	336,376	281,339
Total OPEB Liability, Beginning	1,817,125	1,480,749	1,199,410
Total OPEB Liability, Ending	$ 2,734,211	$ 1,817,125	$ 1,480,749
Covered-employee Payroll	$ 3,563,547	$ 3,563,547	$ 3,459,754
Total OPEB Liability as a Percentage of Covered-employee Payroll	76.73%	50.99%	42.80%

** The 10-year shcedule will be built prospectively. The schedule above is only for the years listed.*

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

RSI NOTE 1 PENSION PLAN CHANGES IN ASSUMPTIONS

As a result of the passage of SB 129, the retirement rates for members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier I Public Safety and Firefighter Systems, except for a 10% load at first eligibility for unreduced retirement prior to age 65.

RSI NOTE 2 CHANGES IN OPEB LIABILITY

The actuarial valuation calculating the total net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense for the year ended June 30, 2020, was determined using the following actuarial methods and assumptions:

Actuarial cost method........	Entry Age
Amortization method.........	Level Percentage of Payroll
Salary Increases..............	3.00%, average, including inflation
Discount rate..................	2.20%, net of investment expense, including inflation, based on Bond Buyer 20-bond General Obligation Index
Health care trend rates......	6.00% for 2020, decreasing to 5.00% for 2021 and after
Retirees' share of cost.......	Retiree's pay 20% of the medical and dental premiums
Inflation........................	2.25%
Mortality	Based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males and Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for year 2014 to 2029, 50% of MP-2016 for years 2030 to 2049 and 20% of MP-2016 for 2050 and after.

Pre-retirement turnover......	Years of Service	Annual Probability of Termination
	Under 5	6.00%
	5 to 9	4.50%
	10 to 14	3.00%
	15+	2.50%

RSI NOTE 3 OPEB PLAN FUNDING

The OPEB plan does not have assets accumulated in a trust to meet the required needs of this plan. The Board of UTOPIA has determined to fund the benefits on a “Pay-As-You-Go” basis.