UTAH INFRASTRUCTURE AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2014

UTAH INFRASTRUCTURE AGENCY
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K&C

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INDEPENDENT AUDITOR'S REPORT

`Board of Directors
Utah Infrastructure Agency
West Valley City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Infrastructure Agency, Utah (UIA), as of and for the year ended June 30, 2014, 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 Infrastructure Agency, Utah, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 25, 2014 on our consideration of UIA'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 UIA's internal control over financial reporting and compliance.

Keddington & Christensen

November 25, 2014

Introduction

The following is a discussion and analysis of the Utah Infrastructure Agency (UIA) financial activities for the fiscal year ending June 30, 2014.

Description of Business

The Utah Infrastructure Agency (UIA) is a political subdivision of the State of Utah and was created in June 2010. Nine cities created the agency (Brigham City, Centerville City, Layton City, Lindon City, Midvale City, Murray City, Orem City, Payson City and West Valley City).

The UIA network is a fiber optic network providing high-speed broadband voice, video and data access. This network includes fiber optic lines, transmitters, power sources and backups, switches and access portals. The network operates as a wholesale network, under an open-access model, which is available to all qualified service providers. The open-access aspect means subscribers—both residents and businesses—have real choice for their broadband needs and can choose the provider and options that work best for them.

Eight of the member cities (all except Payson City) pledged franchise tax revenues as partial loan guarantees in order to secure financing for the network. These cities have approved up to $65 million in bonds for the construction of the UIA network.

Highlights

The UIA network is connected to the UTOPIA fiber optic network pursuant to an Indefeasible Right of Use Agreement (IRU) between UIA and UTOPIA, which grants UIA access to certain facilities of and capacity in the UTOPIA network. The UTOPIA network will provide telecommunications services, support and management services as well as crucial infrastructure for the UIA network.

Over the period of our fiscal year, UIA added 682 residents and 390 businesses. Twenty service providers—Beehive Communications, Brigham.net, Centracom, Fibernet, First Digital, Infowest, Integra Telecom, OneWire, Rigidtech, SenaWave, SumoFiber, Syringa, Telesphere, Utah Broadband, Veracity, Voonami, WebWave, Windstream, XMission, and YipTel—were actively providing services and a total of 11,860 homes and businesses had subscribed to services at year end on the UTOPIA/UIA network. Future growth of the network will be largely demand-based, bringing the network first to those areas that will bring the best return on investment. UIA will also give primary attention to growing the number of business subscribers, offering services for small, medium, and enterprise-class firms.

Last year UTOPIA completed a project that was funded with $16 million in Broadband Technology Opportunity Program funds under the American Reinvestment and Recovery Act (ARRA), and supplementing funds from UIA. UTOPIA/UIA has been able to leverage that investment and has focused on building the last mile in the commercial areas of its cities in order to support the business communities, government agencies, schools and other important institutions This work has made the following possible:

- An overall lowering of the cost to provide services going forward.
- New connections to 694 business (on the combined UTOPIA/UIA network)
- Connections (up to a Gigabyte) to 42 schools.
- Improved monitoring and management of critical city infrastructure such as water wells, sewer lift stations and traffic lights, and public safety.
- Public access via WIFI at many of the parks and public buildings in several member cities.

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 assets 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 UIA's accounting policies, significant account balances, obligations, commitments, contingencies and subsequent events.

Operating revenues of $4.3 million exceeded budget by $1 million. Total operating expense (expenses excluding interest and depreciation) of $473,000 was $373,000 below budget. Operating profit (EBITDA) for the year was $1.3 million better than budgeted. The net profit for the year was $131,000, which was better than budget by $3.0 million.

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

	2014	2013
Current and other assets	$ 10,922,548	$ 7,443,444
Capital assets	39,358,593	33,273,160
Total Assets	$ 50,281,141	$ 40,716,604
Current and other liabilities	$ 3,284,556	$ 8,994,228
Long-term liabilities outstanding	48,728,008	33,585,146
Total Liabilities	52,012,564	42,579,374
Net investment in capital assets	3,350,994	(2,764,104)
Restricted	4,733,925	1,158,840
Unrestricted	(9,816,342)	979,517
Net Position	(1,731,423)	(1,862,770)
Total Liabilities and Net Position	$ 50,281,141	$ 40,716,604

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

	2014	2013
Revenues:		
Operating revenues	$ 4,322,941	$ 3,440,460
Interest income	329,094	288,164
Other revenues	577,877	840,840
Total Revenues	5,229,912	4,569,464
Expenditures:		
Marketing	85,778	161,626
Professional services	65,765	41,484
Network operations	321,543	255,417
Depreciation	2,251,384	1,716,158
Bond interest and fees	2,374,095	2,095,998
Total Expenditures	5,098,565	4,270,683
Change in net position	131,347	298,781
Total net position, beginning of year	(1,862,770)	(2,161,551)
Total net position, end of year	$ (1,731,423)	$ (1,862,770)

Capital Assets and Debt Administration

UIA's capital assets, net of depreciation, were $39.4 million. Types of assets include outside plant (fiber and conduit), inside plant (electronics), customer premise equipment, construction in progress and a capitalized lease (IRU).

As of June 30, 2014, UIA's outstanding debt amounted to $50.4 million. This is comprised of the revenue bonds and the capitalized IRU note payable.

Table 3 - Summary of UIA's Capital Assets at June 30, 2014:

	2014	2013
Construction in progress	$ 2,852,028	$ 918,369
Outside plant	15,999,463	13,354,893
Inside plant	1,277,082	706,453
Customer premise equipment	3,579,588	2,276,390
Intangible right	15,650,432	16,017,055
	$ 39,358,593	$ 33,273,160

Table 4 - Summary of UIA's Debt at June 30, 2014:

	2014	2013
Revenue bonds payable	$ 39,918,939	$ 29,127,193
Capital leases	8,195,602	10,873,272
Notes payable	2,248,467	798,754
	$ 50,363,008	$ 40,799,219

Final Comment

The US continues to lag significantly behind much of the world in terms of Internet access and throughput. According to the recent Ookla Net Index, the US ranked 27th in the world. In the US, we also pay significantly more than most countries for those services. In almost all of the countries that are ranked in the top 10 there has been a focus by their governments to invest and build a state of the art network. They see it as critical infrastructure and an absolute necessity to compete in today's world economy. Back in 2004 the UIA member cities recognized the need to develop a state of the art fiber network in order to compete in tomorrow's economy and provide these services for their citizens that are becoming so dependent on real-time access to information. In many ways they were pioneering in that effort. It was reported this year by Community Broadband Networks that nearly 400 municipalities across the country have recognized the need for their involvement in improving broadband infrastructure and are creating networks that will support the needs of their citizens. At the very least the result of public involvement has forced the Telco Incumbents to up their game by improving their services and lowering their prices to the benefit of all. As one of the first municipal projects in the country lessons have been learned by UTOPIA/UIA and UIA is making significant progress toward the goal of having a state of the art fiber network to promote economic development in the business community and attract residents. This infrastructure, coupled with the UTOPIA network, will provide the "pipe" through which private companies can provide the latest, most competitive services to consumers.

BASIC FINANCIAL STATEMENTS

UTAH INFRASTRUCTURE AGENCY
STATEMENT OF NET POSITION
June 30, 2014

Assets		
Current Assets:		
Cash	$	996,661
Restricted cash equivalents		5,573,515
Trade receivables, net		327,634
Inventory		296,805
Notes receivable		151,665
Total Current Assets		7,346,280
Noncurrent assets:		
Notes receivable		3,576,268
Capital Assets:		
Construction in progress		2,852,028
Property and equipment, net:		
Fiber optic network		36,506,565
Total Noncurrent Assets		42,934,861
Total Assets	$	50,281,141
Liabilities		
Current Liabilities:		
Accounts payable	$	380,330
Liabilities payable from restricted assets		431,077
Accrued liabilities		129,636
Interest payable from restricted assets		408,513
Capital leases payable		655,000
Revenue bonds payable		980,000
Unearned revenue		300,000
Total Current Liabilities		3,284,556
Noncurrent Liabilities:		
Capital leases payable		7,540,602
Note payable		2,248,467
Revenue bonds payable		38,938,939
Total Liabilities		52,012,564
Net Position:		
Net Investment in capital assets		3,350,994
Restricted for:		
Debt service		1,133,381
Unspent bond proceeds		3,600,544
Unrestricted		(9,816,342)
Total Net Position		(1,731,423)
Total Liabilities and Net Position	$	50,281,141

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

UTAH INFRASTRUCTURE AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For The Year Ended June 30, 2014

Operating Revenues:		
Access fees	$	3,038,824
Installations		514,871
Reconnections		769,246
Total Operating Revenues		4,322,941
Operating Expenses:		
Marketing		85,778
Professional services		65,765
Network		321,543
Depreciation		2,251,384
Total Operating Expenses		2,724,470
Operating Income		1,598,471
Nonoperating Revenues (Expenses):		
Interest income		329,094
Installation related capital contributions		277,347
Contributions from other governments		300,530
Bond interest and fees		(2,374,095)
Total Nonoperating Revenues (Expenses)		(1,467,124)
Change In Net Position		131,347
Total Net Position, Beginning of Year, Restated		(1,862,770)
Total Net Position, End of Year	$	(1,731,423)

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

UTAH INFRASTRUCTURE AGENCY
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2014

Cash Flows From Operating Activities:		
Cash received from customers and users	$	4,531,870
Payments to suppliers		(1,962,940)
Net cash provided by operating activities		2,568,930
Cash Flows From Capital and Related Financing Activities:		
Purchase of capital assets		(7,136,166)
Proceeds from sale of assets		8,386
Proceeds from installations		198,655
Bond interest and fees		(1,952,599)
Proceeds from issuance of new bonds		11,501,350
Principal paid on bonds		(685,000)
Principal paid on capital leases payable		(3,113,566)
Net cash used by capital and related financing activities		(1,178,940)
Cash Flows From Non-Capital Financing Activities:		
Proceeds from notes payable addition		1,455,494
Net cash provided by non-capital financing activites		1,455,494
Cash Flows From Investing Activity:		
Interest income		329,094
Net cash provided by investing activity		329,094
Net Increase in Cash and Cash Equivalents		3,174,578
Cash and Cash Equivalents, Beginning of Year		3,395,598
Cash and Cash Equivalents, End of Year	$	6,570,176
Reconciliation of operating loss to net cash from operating activities:		
Operating income	$	1,598,471
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense		2,251,384
(Increase) decrease in assets related to operations		
Trade receivables, net		9,083
Inventory		(2,328,328)
Note receivable related to operating revenues		(100,154)
Increase (decrease) in liabilities related to operations		
Accounts payable		727,392
Accrued liabilities		111,082
Deferred Revenue		300,000
Net Cash Provided by Operating Activities	$	2,568,930

Supplemental Information

Noncash Investing, Capital, and Financing Activities:

Additions to capital assets includes inventory of $2,193,565.
Additions to capital assets includes capitalized interest of $71,892.

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

UTAH INFRASTRUCTURE AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

Utah Infrastructure Agency (UIA), a separate legal entity and political subdivision of the State of Utah, was formed on July 29, 2010, by an Interlocal Cooperative Agreement pursuant to the provisions of the Utah Interlocal Cooperation Act. UIA's Interlocal Cooperative Agreement has a term of five years, and is renewable every year thereafter. UIA consisted of 9 member cities (8 pledging and 1 non-pledging) at June 30, 2014. UIA'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 UIA 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 UIA is able to exercise oversight responsibilities. UIA does not have any component units, nor is it a component unit of any primary government.

Financial Statement Presentation and Basis of Accounting

UIA 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.

Restricted Assets

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

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

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:

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

Depreciation of inside plant and certain customer premise equipment was computed using an accelerated method over a 6 year life.

Cash and Cash Equivalents

UIA 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 UIA are stated at cost, which approximates fair value.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is UIA's best estimate of the amount of probable credit losses in the existing accounts receivable. UIA has reserved $143,619 of accounts receivable.

Inventories

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

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.

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 $37,985.

NOTE 2 CASH AND INVESTMENTS

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

Utah State law requires that UIA'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 UIA and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2014, UIA had the following deposits and investments, stated at carrying amount, which approximates fair value:

Deposit and investment type		Fair Value
Cash on deposit	$	996,661
Investments in Utah Public Treasurer Investment Funds		5,573,515
	$	6,570,176

Cash on Deposit:
Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, UIA's deposits may not be returned to it. As of June 30, 2014, $1,023,455 of the $1,273,455 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized. UIA has no policy to manage this type of risk.

Investment in Utah Public Treasurer's Investment Funds (UPTIF):
Interest rate risk. The risk that changes in the interest rate will have an adverse affect on the fair value of an investment. UIA's investments in UPTIF are 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, 2014 the UPTIF in which UIA has investments were unrated.

Concentration of credit risk. This is the risk of loss attributable to the magnitude of UIA's investment in a single issuer. UIA's investment in UPTIF 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, UIA will not be able to recover the value of its investments that are in the possession of an outside party**.** UIA's investment in UPTIF has no custodial credit risk.

UTAH INFRASTRUCTURE AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 RESTRICTED CASH EQUIVALENTS

Restricted cash equivalents consist of the following:

Unspent 2011 A&B revenue bond proceeds	$ 144,554
Unspent 2013 revenue bond proceeds	3,887,067
Debt service	1,541,894
Total restricted cash equivalents	5,573,515
Restricted cash equivalents - current	(5,573,515)
Noncurrent portion of restricted cash equivalents	$ -

NOTE 4 PROPERTY AND EQUIPMENT

The following summarizes UIA's property and equipment as of June 30, 2014:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 918,369	$ 1,933,659	$ -	$ 2,852,028
Total capital assets, not being depreciated	918,369	1,933,659	-	2,852,028
Capital assets, being depreciated:				
Outside plant	14,047,851	3,394,935		17,442,786
Inside plant	1,031,422	1,072,429	-	2,103,851
Customer premise equipment	2,629,779	1,606,023	-	4,235,802
Intangible right	17,409,843	329,771	-	17,739,614
Total capital assets, being depreciated	35,118,895	6,403,158	-	41,522,053
Less accumulated depreciation:				
Outside plant	(692,958)	(750,365)	-	(1,443,323)
Inside plant	(324,969)	(501,800)	-	(826,769)
Customer premise equipment	(353,389)	(302,825)	-	(656,214)
Intangible right	(1,392,788)	(696,394)	-	(2,089,182)
Total accumulated depreciation	(2,764,104)	(2,251,384)	-	(5,015,488)
Total capital asset, net of accumulated depreciation	32,354,791	4,151,774	-	36,506,565
Property and Equipment, net	$ 33,273,160	$ 6,085,433	$ -	$ 39,358,593

Depreciation expense of $2,251,384 was charged to operating expense for the year ended June 30, 2014.

UTAH INFRASTRUCTURE AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended June 30, 2014.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds					
Series 2011A	$ 21,095,000	$ -	$ -	$ 21,095,000	$ -
Series 2011B	7,740,000	-	(685,000)	7,055,000	710,000
Original Issue Premium	292,193	-	(12,750)	279,443	-
Series 2013	-	11,205,000	-	11,205,000	270,000
Original Issue Premium	-	296,350	(11,854)	284,496	-
Total Revenue Bonds	29,127,193	11,501,350	(709,604)	39,918,939	980,000
Capital Leases					
UTOPIA IRU	10,873,272	-	(2,677,670)	8,195,602	655,000
Total Capital Leases	10,873,272	-	(2,677,670)	8,195,602	655,000
Notes Payable					
Pledging Members	798,754	1,409,651	-	2,208,405	-
Tremonton Note	-	40,062	-	40,062	-
Total Notes Payable	798,754	1,449,713	-	2,248,467	-
Total Long-Term Debt	$ 40,799,219	$ 12,951,063	$ (3,387,274)	$ 50,363,008	$ 1,635,000

Revenue Bonds

Tax-exempt Telecommunications and Franchise Revenue Bonds, Series 2011A, original issue of $21,095,000, principal payments due in annual installments beginning October 2022, interest payments due semi-annually at 5.0% to 5.4%, with the final payment due October 2036. The bonds were issued to finance UIA's infrastructure construction and acquisition of the UTOPIA Indefeasible Right of Use.	$ 21,095,000
Taxable Telecommunications and Franchise Revenue Bonds, Series 2011B original issue of $8,405,000, principal payments due in annual installments beginning October 2012, interest payments due semi-annually at 3.2% to 5.45%, with the final payment due October 2022 The bonds were issued to finance UIA's infrastructure construction and acquisition of the UTOPIA Indefeasible Right of Use.	7,055,000
Telecommunications and Franchise Tax Revenue Bonds, Series 2013 original issue of $11,205,000, principal payments due in annual installments beginning October 2014, interest payments due semi-annually at 2.0% to 5.25%, with the final payment due October 2038 The bonds were issued to finance UIA's infrastructure construction.	11,205,000
Total Revenue Bonds	39,355,000
Less current portion	(980,000)
Noncurrent portion	$ 38,375,000

NOTE 5 LONG-TERM DEBT (Continued)

The following summarizes UIA's revenue bonds debt service requirements as of June 30, 2014:

Year	Principal	Interest	Total
2015	$ 980,000	$ 1,927,702	$ 2,907,702
2016	1,005,000	1,897,837	2,902,837
2017	1,040,000	1,865,677	2,905,677
2018	1,070,000	1,828,622	2,898,622
2019	1,110,000	1,783,090	2,893,090
2020-2024	6,385,000	8,053,930	14,438,930
2025-2029	8,105,000	6,301,950	14,406,950
2030-2034	10,510,000	3,875,176	14,385,176
2035-2039	9,150,000	939,647	10,089,647
	$ 39,355,000	$ 28,473,631	$ 67,828,631

Capital Lease

Capital leases consist of the following:

UIA is obligated under a lease for the use of a fiber optic network from Utah Telecommunications Open Infrastructure Agency (UTOPIA). Because the terms and options contained in the lease have effectively created a financing arrangement, UIA is required to record this transaction as a capital lease. Terms of the lease were renogtiatied in December 2013. Lease payments of $54,583 are paid monthly beginning December 2013 including imputed interest at 1.09%. The capitalized cost of fiber optic network is $17,739,614, with accumulated depreciation of $2,089,182.	$ 8,195,602
Total Capital Lease	8,195,602
Less current portion	(655,000)
Noncurrent portion	$ 7,540,602

Minimum lease payments for the years ending June 30 are as follows:

2015	$ 655,000
2016	655,000
2017	655,000
2018	655,000
2019	655,000
2020-2024	3,275,000
2025-2028	2,265,506
Total minimum lease payments	8,815,506
Less discount, representing imputed interest	(619,904)
Present value of net minimum lease payments	$ 8,195,602

UTAH INFRASTRUCTURE AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 INTERLOCAL COOPERATIVE AGREEMENT

UIA has entered into an Interlocal Cooperative Agreement with Utah Telecommunication Open Infrastructure Agency (UTOPIA), 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. UIA recorded expenditures to UTOPIA of $331,495 for the year ended June, 30, 2014.

NOTE 7 PLEDGING MEMBERS LIABILITY AND COMMITTMENTS

The 8 Pledging Members of UIA have pledged energy sales and use tax revenues to ensure that UIA fulfills its revenue requirement from the bond agreements. UIA is required by the Series 2011 A & B bond covenants to have revenue equal to the operations and maintenance expenses and the capital costs in a fiscal year. In the event there is a shortfall, the pledging cities agree to lend its energy sales and use tax revenues in the maximum annual principal allocated to each city as set forth below:

Pledging Member	2015 Share of Total Max. Pledge	2015 Maximum Pledge *
Brigham City	0.62%	$ 31,831
Centerville City	3.63%	186,737
Layton City	18.20%	937,272
Lindon City	3.35%	172,516
Midvale City	6.60%	339,988
Murray City	13.40%	690,241
Orem City	23.76%	1,223,786
West Valley City	30.44%	1,568,781
	100.00%	$ 5,151,152

The Second Amended and Restated Interlocal Cooperative Agreement of UIA provides that the UIA Board of Directors may establish Working Capital Assessments to the Member Cities, the payment of which is subject to the appropriations authority of the governing bodies of the Member Cities. UIA has utilized this mechanism to pay certain operating expenses in order to avoid a shortfall under the Communications Services Contracts between UIA and the Member Cities. Under a shortfall scenario, UIA would be obligated to notify the Member Cities of their respective obligations to utilize Energy Sales and Use Taxes to replenish the shortfall. Provided enough cities pay their Working Capital Assessments, no shortfall exists and therefore, no obligation from Energy Sales and Use Taxes. The assessments, along with cumulative accrued interest of $5,580 for a total of $2,208,405, have been recorded as notes payable to the Cities. The amounts assessed and paid by City for the year ended June 30, 2014 are as follows:

NOTE 7 PLEDGING MEMBERS LIABILITY AND COMMITMENTS (Continued)

City	2014 OpEx Assessments Paid	Cumulative Paid
Brigham City	$ 17,412	$ 17,412
Centerville City	135,087	158,865
Layton City	247,011	389,276
Lindon City	62,345	118,155
Midvale City	119,985	193,600
Murray City	-	-
Orem City	426,135	694,740
West Valley City	407,457	630,507
	$ 1,415,432	$ 2,202,555

NOTE 8 PRIOR PERIOD ADJUSTMENT

During the year, UIA implemented GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position. This statement provides financial reporting guidelines to standardize the presentation of deferred outflows of resources and deferred inflows of resources, and their effects on a government's net position. As required by the provisions of the statement, the provisions of the standard have been applied retroactively, resulting in an adjustment to previously reported net position of $1,237,023.