



**UTAH TELECOMMUNICATION OPEN
INFRASTRUCTURE AGENCY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Together with Independent Auditor's Report

**UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
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CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the proprietary fund of Utah Telecommunication Open Infrastructure Agency (UTOPIA), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise UTOPIA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund of UTOPIA, as of June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UTOPIA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UTOPIA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 UTOPIA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UTOPIA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 December 29, 2023, 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.

KYC, CPA₂

Woods Cross, Utah
December 29, 2023

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, 2023.

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 have installed 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.

Thirty-one service providers – including XMission, Veracity, SumoFiber, Beehive, and First Digital – were actively providing services and a total of 50,165 homes and businesses had subscribed to services at year end on the combined UTOPIA/UIA network. This represents 30% of addresses passed by the network. UTOPIA/UIA substantially completed the construction of the network within the eleven pledging UTOPIA member cities by June 2022. 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. UTOPIA has been successful in accomplishing its original mission: to build and maintain a fiber network to serve all of the businesses and residents in UTOPIA's member cities.

As of the end of June 2023, more than 5,200 miles of fiber cable have been placed within the boundaries of the eleven member and partner cities. Within footprints serviced by 210 hut sites, there are approximately 170,000 addresses which could immediately subscribe for services on the UTOPIA/UIA network.

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

Highlights

Financial highlights include:

- Average monthly recurring subscriber revenues for UTOPIA increased from \$687,900 in FY 2022 to \$730,779 in FY 2023. Most of the new subscribers on the UTOPIA/UIA network are customers of UIA. UTOPIA entered into a service contract with the City of Idaho Falls, Idaho in 2019 and revenue from those customers averaged \$61,100 per month in FY 2023. Revenue from Internet Service Provider network-to-network interface also increased in FY 2023.
- Total operating revenues increased by 42% in fiscal year 2023.
 - Revenue from consulting and construction contracts increased by \$5.8M or 236%. This is primarily due to a \$5.1M payment from Bountiful for construction contracting services to build out a network in Bountiful City. Work began on this project in FY 2023. We anticipate this amount will increase in FY 2024 as per the contract.
 - Revenue from UTOPIA's service contract with UIA increased by \$5.9M or 24% due to a large increase in the number of customers served by UIA.
 - Revenue from Access Fees increased by \$527,000 or 6% from the prior year.

Overview of Financial Statements

The financial statements included in this report have been prepared in compliance with generally accepted accounting principles. The statement of net position provides information about the Agency's resources and obligations at year-end. The statement of revenues, expenses, and changes in fund net position presents the results of business activities during 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.

Total Assets increased by \$8.3 M due primarily to an increase in inventory of \$4.3 M and increased capital assets of \$5.1M offset by a decreased net pension asset of 2.1M. The increased inventory was funded by a contractual payment from Bountiful City. The increased fixed assets were funded by additional bond proceeds obtained from a bond refunding. Deferred Outflows of Resources decreased by \$11.4M, due to a bond being issued to refinance debt previously financed using an interest rate swap agreement. The interest rate swap agreements were refunded as part of the transaction. Net Position decreased by \$3.1M, mostly attributable to interest paid on outstanding debt. The pledging UTOPIA cities have been paying debt service on the outstanding revenue bonds since debt service started in 2004. UTOPIA records a Note Payable for all debt service pledge payments received from the cities and accrues interest on the notes.

Operating revenues for the fiscal year exceeded estimated revenues by approximately \$5.8M, 32% of budgeted revenue. This was primarily due to a \$5.1M contractual payment from Bountiful City that was not budgeted. Operating expenses (expenses excluding interest and depreciation) were under the final budgeted amount by \$1,075,000.

The income from operations changed from \$506,900 in fiscal year 2022 to \$2.5M in fiscal year 2023. This is primarily due to increased operating revenues of \$8.4M offset by operating expenses that increased by \$1.5M primarily due to increased payroll and pension expenses.

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

Miscellaneous operating revenue and miscellaneous operating expense are related to UTOPIA’s contracts with the City of Idaho Falls and Yellowstone Fiber located in Bozeman, MT. UTOPIA passes through the cost of materials purchased on behalf of Idaho Falls and Yellowstone Fiber. UTOPIA charges a consulting service fee equal to 3% of that cost.

Table 1 – A Summary of the Agency’s Statement of Net Position is presented below.

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 9,703,549	\$ 4,437,692
Capital assets	<u>63,452,139</u>	<u>60,398,817</u>
Total Assets	<u>73,155,688</u>	<u>64,836,509</u>
Deferred outflows of resources	<u>40,956,018</u>	<u>52,384,752</u>
Current and other Liabilities	9,469,032	7,228,696
Long-term liabilities outstanding	<u>428,093,003</u>	<u>417,166,923</u>
Total Liabilities	<u>437,562,035</u>	<u>424,395,619</u>
Deferred inflows of resources	<u>1,329,912</u>	<u>4,327,517</u>
Net investment in capital assets	(116,204,669)	(115,619,773)
Restricted	1,601,563	627,909
Unrestricted	<u>(210,177,135)</u>	<u>(196,510,011)</u>
Net Position	<u>\$ (324,780,241)</u>	<u>\$ (311,501,875)</u>

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

	<u>2023</u>	<u>2022</u>
Revenues:		
Operating revenues	\$ 28,288,587	\$ 19,884,675
Interest income	482,566	8,366
Distribution from UIA	<u>4,000,000</u>	<u>9,962</u>
Total Revenues	<u>32,771,153</u>	<u>19,903,003</u>
Expenditures:		
General and administrative	15,191,774	10,840,827
Network	3,323,388	2,897,859
Depreciation and amortization	3,508,520	3,374,830
Other operating expenses	3,755,690	2,264,299
Bond interest and fees	<u>20,270,147</u>	<u>13,789,053</u>
Total Expenditures	<u>46,049,519</u>	<u>33,166,868</u>
Change in net position	(13,278,366)	(13,263,865)
Total net position, beginning of year	<u>(311,501,875)</u>	<u>(298,238,010)</u>
Total net position, end of year	<u>\$ (324,780,241)</u>	<u>\$ (311,501,875)</u>

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

Capital Assets and Debt Administration

UTOPIA’s capital assets, net of depreciation, were \$63.5M at year-end. Types of assets include outside plant (fiber and conduit), inside plant (electronics), customer premise equipment, construction in progress, intangible leased assets, and other miscellaneous assets.

As of June 30, 2023, UTOPIA’s outstanding debt amounted to \$419.9M. \$219.1M (revenue bonds payable) is secured by the 11 pledging members’ sales tax pledges. \$200.8M 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

	<u>2023</u>	<u>2022</u>
Outside plant	\$ 56,644,479	\$ 51,043,207
Inside plant	52,751	47,528
Customer premise equipment	4,014,652	4,396,207
Intangible right	582,669	617,461
Office furniture and equipment	244,836	147,323
Vehicles	1,125,576	1,006,186
Intangible leased asset	787,176	1,052,222
	<u>\$ 63,452,139</u>	<u>\$ 58,310,134</u>

Table 4 - Summary of the Agency’s Debt

	<u>2023</u>	<u>2022</u>
Revenue bonds payable	\$ 219,075,722	\$ 175,228,078
Notes payable from direct borrowings	200,837,153	182,058,298
Lease liability	820,277	1,074,602
	<u>\$ 420,733,152</u>	<u>\$ 358,360,978</u>

Subsequent events, FY 2024 budget, and future plans

The FY 2024 budget adopted in June 2023 anticipates operating revenue of \$41.0 M and operating expenses (not including depreciation) of \$38.2M.

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, 2023

Assets

Current Assets:

Cash	\$ 1,915,828
Trade receivables, net	1,011,514
Prepaid expenses	77,812
Inventory	4,240,756
Restricted cash equivalents	<u>2,457,639</u>
Total Current Assets	<u>9,703,549</u>

Noncurrent assets:

Capital Assets net of accumulated depreciation and amortization:	
Fiber optic network	61,294,551
Office furniture and equipment	244,836
Vehicles	1,125,576
Intangible leased asset	<u>787,176</u>
Total Noncurrent Assets	<u>63,452,139</u>

Total Assets	<u>73,155,688</u>
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Deferred Outflows of Resources

Deferred charge on bond refunding	38,675,651
Pensions	1,701,126
OPEB	<u>579,241</u>
Total Deferred Outflows of Resources	<u>40,956,018</u>

Total Assets and Deferred Outflows of Resources	<u><u>\$ 114,111,706</u></u>
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The accompanying notes are an integral part of these financial statements.

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
STATEMENT OF NET POSITION (Continued)
June 30, 2023

Liabilities

Current Liabilities:

Accounts payable	\$	1,286,110
Accrued liabilities		312,787
Compensated absences		477,435
Interest payable from restricted assets		856,076
Note payable, current portion		9,886
Lease payable, current portion		241,738
Unearned revenue, current portion		655,000
Revenue bonds payable, current portion		5,630,000
		9,469,032
Total Current Liabilities		9,469,032

Noncurrent Liabilities:

Compensated absences		636,000
Note payable, noncurrent portion		200,827,267
Lease payable, noncurrent portion		578,539
Unearned revenue, noncurrent portion		11,106,157
Revenue bonds payable, noncurrent portion		213,445,722
Net pension liability		845,228
Net OPEB liability		654,090
		428,093,003
Total Noncurrent Liabilities		428,093,003

Total Liabilities

437,562,035

Deferred Inflows of Resources

Pension		19,922
OPEB		1,309,990
		1,329,912
Total Deferred Inflows of Resources		1,329,912

Net Position

Net investment in capital assets		(116,204,669)
Restricted for:		
Debt service		1,601,563
Unrestricted		(210,177,135)
		(324,780,241)
Total Net Position		(324,780,241)

Total Liabilities, Deferred Inflows of Resources and Net Position **\$ 114,111,706**

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, 2023

Operating Revenues:	
Access fees	\$ 8,769,352
Fiber lease revenue	655,000
Installation revenue	8,459
Network operations revenue	10,523,366
Consulting and construction contract revenue	8,332,410
Total Operating Revenues	28,288,587
Operating Expenses:	
Payroll	11,730,754
Material and supplies	3,162,672
Professional services	298,348
Network	3,323,388
Depreciation and amortization	3,508,520
Consulting and construction contract expense	3,755,690
Total Operating Expenses	25,779,372
Operating Income (Loss)	2,509,215
Nonoperating Revenues (Expenses):	
Interest income	482,566
Distribution from UIA	4,000,000
Bond interest and fees	(20,270,147)
Total Nonoperating Revenues (Expenses)	(15,787,581)
Change In Net Position	(13,278,366)
Total Net Position, Beginning of Year	(311,501,875)
Total Net Position, End of Year	\$ (324,780,241)

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, 2023

Cash Flows From Operating Activities:	
Cash received from customers and users	\$ 29,269,547
Payments to suppliers	(14,355,290)
Payments to employees	<u>(12,648,048)</u>
Net cash provided by operating activities	<u>2,266,209</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of property and equipment	(8,650,525)
Proceeds from note payable	15,646,072
Bond interest and fees	(12,526,626)
Proceeds from issuance of new bonds	222,332,299
Principal paid on notes and bonds payable	(177,927,866)
Principal paid on leases payable	(254,325)
Payment to terminate swap agreement	<u>(38,676,535)</u>
Net cash used by capital and related financing activities	<u>(57,506)</u>
Cash Flows From Non-Capital Financing Activity:	
Distribution from UIA	4,000,000
Principal paid on notes payable	<u>(4,000,000)</u>
Net cash provided by non-capital financing activity	<u>-</u>
Cash Flows From Investing Activity:	
Interest income	<u>482,566</u>
Net cash provided by investing activity	<u>482,566</u>
Net Increase in Cash and Cash Equivalents	2,691,269
Cash and Cash Equivalents, Beginning of Year	<u>1,682,198</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,373,467</u></u>

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, 2023

Reconciliation of operating loss to net cash from operating activities:

Operating income (loss)	\$ 2,509,215
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization expense	3,508,520
(Increase) decrease in assets related to operations	
Trade receivables, net	1,633,593
Inventory	(4,240,756)
Prepaid expenses	32,575
Pension	1,628,871
OPEB	57,867
Increase (decrease) in liabilities related to operations	
Accounts payable	392,989
Accrued liabilities	(698,853)
Compensated absences	202,081
Unearned revenue	(652,633)
Pension	(2,051,258)
OPEB	(56,002)
	<hr/>
Net Cash Provided by Operating Activities	\$ 2,266,209

Supplemental Information

Noncash Investing, Capital, and Financing Activities:

Interest added to notes payable	\$ 7,142,570
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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 are 11 pledging members and 4 non-pledging members in UTOPIA. 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.

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

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	25-40 years
Office furniture and equipment and vehicles	3-10 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 \$70,199.

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 \$50,000 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.

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

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

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, and deferred outflows of resources related 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 related to pensions and OPEB.

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, 2023, UTOPIA had the following deposits and investments stated at carrying amount, which approximates fair value:

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit	\$ 7,655
Investments in Utah Public Treasurer's Investment Funds	4,365,812
	<u>\$ 4,373,467</u>

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

NOTE 2 CASH AND INVESTMENTS (Continued)

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, 2023, UTOPIA has no cash on deposit subject to custodial credit risk.

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, 2023, the PTIF in which UTOPIA has investments was unrated.

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

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

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, 2023, or \$4,365,812, are based on significant other observable inputs (Level 2 inputs).

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

NOTE 3 PROPERTY AND EQUIPMENT

The following summarizes UTOPIA's property and equipment as of June 30, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated:				
Outside plant	\$104,112,925	\$ 8,167,740	\$ -	\$112,280,665
Inside plant	2,835,701	14,914	-	2,850,615
Customer premise equipment	9,822,486	4,472	-	9,826,958
Intangible right	1,624,040	-	-	1,624,040
Office furniture and equipment	1,120,838	192,027	-	1,312,865
Vehicles	1,593,248	271,372	-	1,864,620
Intangible leased asset	1,317,269	-	-	1,317,269
Total capital assets being depreciated/amortized	<u>\$122,426,507</u>	<u>\$ 8,650,525</u>	<u>\$ -</u>	<u>\$131,077,032</u>
Less accumulated depreciation and amortization:				
Outside plant	\$(53,069,718)	\$(2,566,468)	\$ -	\$(55,636,186)
Inside plant	(2,788,173)	(9,691)	-	(2,797,864)
Customer premise equipment	(5,426,279)	(386,027)	-	(5,812,306)
Intangible right	(1,006,579)	(34,792)	-	(1,041,371)
Office furniture and equipment	(973,515)	(94,514)	-	(1,068,029)
Vehicles	(587,062)	(151,982)	-	(739,044)
Intangible leased asset	(265,047)	(265,046)	-	(530,093)
Total accumulated depreciation and amortization	<u>(64,116,373)</u>	<u>(3,508,520)</u>	<u>-</u>	<u>(67,624,893)</u>
Total capital assets, net of accumulated depreciation and amortization	<u>58,310,134</u>	<u>5,142,005</u>	<u>-</u>	<u>63,452,139</u>
Property and Equipment, net	<u>\$ 58,310,134</u>	<u>\$ 5,142,005</u>	<u>\$ -</u>	<u>\$ 63,452,139</u>

Depreciation and amortization expense of \$3,508,520 was charged to operating expense for the year ended June 30, 2023.

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

NOTE 4 LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2023.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds from direct placements					
Series 2011A	\$ 104,488,889	\$ -	\$ (104,488,889)	\$ -	\$ -
Series 2011B	70,739,189	-	(70,739,189)	-	-
Revenue bonds					
Series 2022	-	205,335,000	(2,690,000)	202,645,000	5,630,000
Plus: Net premium	-	16,997,299	(566,577)	16,430,722	-
Total revenue bonds	<u>175,228,078</u>	<u>222,332,299</u>	<u>(178,484,655)</u>	<u>219,075,722</u>	<u>5,630,000</u>
Notes payable from direct borrowings					
Pledging members	182,037,119	22,788,643	(4,000,000)	200,825,762	-
Layton RDA	21,179	-	(9,788)	11,391	9,886
Total notes payable from direct borrowings	<u>182,058,298</u>	<u>22,788,643</u>	<u>(4,009,788)</u>	<u>200,837,153</u>	<u>9,886</u>
Lease liability	1,074,602	-	(254,325)	820,277	241,738
Compensated absences	911,354	595,272	(393,191)	1,113,435	477,435
Net pension liability	-	845,228	-	845,228	-
Net OPEB liability	608,973	45,117	-	654,090	-
Total long-term liabilities	<u>\$ 359,881,305</u>	<u>\$ 246,606,559</u>	<u>\$ (183,141,959)</u>	<u>\$ 423,345,905</u>	<u>\$ 6,359,059</u>

Revenue Bonds

Sales Tax and Telecommunications Revenue Refunding Bonds, Series 2022, original issue of \$205,335,000 plus a premium of \$16,997,299, principal payments due in annual installments beginning June 2023, interest payments due semi-annually at 4.375% to 5.500%, with the final payment due June 2040. The bonds were issued to refund the Series 2011 A & B revenue bonds, terminate the related interest rate swaps, and to finance the expansion of UTOPIA's network. The refunding resulted in an economic gain of \$25,879,676 and a cash flow savings of \$38,060,601. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.

	<u>\$ 202,645,000</u>
Total revenue bonds	202,645,000
Less current portion	<u>(5,630,000)</u>
Noncurrent portion	<u>\$ 197,015,000</u>

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

NOTE 4 LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

UTOPIA is required by the Series 2022 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.

At June 30, 2023, the aggregate debt service requirements of UTOPIA's debt are presented below.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 5,630,000	\$ 10,272,906	\$ 15,902,906
2025	6,225,000	9,991,406	16,216,406
2026	6,855,000	9,680,156	16,535,156
2027	7,525,000	9,337,406	16,862,406
2028	7,975,000	8,961,156	16,936,156
2029-2033	51,835,000	38,054,781	89,889,781
2034-2038	77,025,000	22,228,669	99,253,669
2039-2040	39,575,000	2,962,894	42,537,894
	<u>\$ 202,645,000</u>	<u>\$ 111,489,375</u>	<u>\$ 314,134,375</u>

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 5.10499% at June 30, 2023. These debts are subordinate to the Series 2022 Sales Tax and Telecommunications Revenue 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.

\$ 200,825,762

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

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 infrastructure 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 5.10499%. 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%.

	\$ 11,391
Total notes payable from direct borrowings	200,837,153
Less current portion	(9,886)
Noncurrent portion	\$ 200,827,267

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 9,886	\$ 114	\$ 10,000
2025	1,505	15	1,520
	\$ 11,391	\$ 129	\$ 11,520

NOTE 5 LEASE OBLIGATIONS PAYABLE

\$1,317,269 has been recorded as intangible right to use leases in UTOPIA's capital assets. Due to the implementation of GASB Statement No. 87, these leases for network infrastructure met the criteria of leases; thus, requiring them to be recorded by UTOPIA. These assets will be amortized over the lease terms of two to ten years since they are shorter than the useful lives and UTOPIA is not taking ownership of the infrastructure. There are no residual value guarantees in the lease provisions. The leases will end in 2024 to 2032 when the final payments are due.

A summary of the principal and interest amounts for the remaining leases is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 241,321	\$ 28,666	\$ 269,987
2025	144,694	20,827	165,521
2026	103,859	15,887	119,746
2027	53,248	10,515	63,763
2028	54,062	10,102	64,164
2029-2032	223,093	17,521	240,614
	\$ 820,277	\$ 103,518	\$ 555,254

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

NOTE 6 PENSIONS

Plan Description

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

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

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The System's defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S. Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

Benefits Provided

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

Summary of Benefits by System

<u>System</u>	<u>Final Average Salary</u>	<u>Years of Service required and/or age eligible for benefit</u>	<u>Benefit percent per year of service</u>	<u>COLA**</u>
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 4.0%
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.

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

NOTE 6 PENSIONS (Continued)

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.

Contribution rates as of June 30, 2023 are as follows:

Utah Retirement System	<u>Employee Paid</u>	<u>Employer Contribution Rates</u>	<u>Employer Rate for 401(k) Plan</u>
Contributory System			
111 - Local Governmental Div - Tier 2	N/A	16.01%	0.18%
Noncontributory System			
15 - Local Governmental Div - Tier 1	N/A	17.97%	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.19%	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, 2023, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 397,922	\$ -
Tier 2 Public Employees System	749,625	-
Tier 2 DC Only System	86,744	-
Total Contributions	<u>\$ 1,234,291</u>	<u>\$ -</u>

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.

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

NOTE 6 PENSIONS (Continued)

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

At June 30, 2023, we reported a net pension asset of \$0 and a net pension liability of \$845,228.

	Measurement Date: December 31, 2022			Proportionate Share December 31, 2021	Change
	Net Pension Asset	Net Pension Liability	Proportionate Share		
Noncontributory System	\$ -	\$ 635,808	0.3712209%	0.3520824%	0.0191385%
Tier 2 Public Employees System	-	209,420	0.1923235%	0.1707531%	0.0215704%
Total Net Pension Asset / Liability	<u>\$ -</u>	<u>\$ 845,228</u>			

The net pension asset and liability were measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2022 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, 2023, we recognized pension expense of \$809,942.

At June 30, 2023, 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	\$ 286,391	\$ 8,309
Changes in assumptions	172,189	3,072
Net difference between projected and actual earnings on pension plan investments	503,816	-
Changes in proportion and differences between contributions and proportionate share of contributions	104,413	8,541
Contributions subsequent to the measurement date	634,317	-
Total	<u>\$ 1,701,126</u>	<u>\$ 19,922</u>

\$634,317 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, 2022.

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

NOTE 6 PENSIONS (Continued)

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:

<u>Year Ended December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2023	\$ (27,486)
2024	53,173
2025	208,859
2026	720,465
2027	18,310
Thereafter	73,566

Actuarial Assumptions

The total pension liability in the December 31, 2022, 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 – 9.25 percent, average, including inflation
Investment rate of return	6.85 percent, net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teacher, and public safety member, respectively.

The actuarial assumptions used in the January 1, 2022, valuation were based on an experience study of the demographic assumptions as of January 1, 2020, and a review of economic assumptions as of January 1, 2021.

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.

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

NOTE 6 PENSIONS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	35%	6.58%	2.30%
Debt securities	20%	1.08%	0.22%
Real Assets	18%	5.72%	1.03%
Private equity	12%	9.80%	1.18%
Absolute return	15%	2.91%	0.44%
Cash and cash equivalents	0%	-0.11%	0.00%
Totals	100%		5.17%
	Inflation		2.50%
	Expected arithmetic nominal return		7.67%

The 6.85% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.35% that is net of investment expense.

Discount Rate – The discount rate used to measure the total pension liability was 6.85%. 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.

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

NOTE 6 PENSIONS (Continued)

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 6.85% 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 (5.85%) or 1-percentage-point higher (7.85%) than the current rate:

	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
System			
Noncontributory System	\$ 4,007,076	\$ 635,808	\$ (2,181,064)
Tier 2 Public Employees System	915,050	209,420	(334,179)
Total	<u>\$ 4,922,126</u>	<u>\$ 845,228</u>	<u>\$ (2,515,243)</u>

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 7 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.

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

	2023	2022	2021
401(k) Plan			
Employer Contributions	\$ 148,563	\$ 136,497	\$ 121,839
Employee Contributions	74,273	69,087	50,593
457(b) Plan			
Employer Contributions	41,491	34,092	29,565
Employee Contributions	133,786	106,665	81,459
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	26,690	26,990	11,305

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

NOTE 8 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.

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, 2023 UTOPIA did not have a net asset because of its funding method. UTOPIA reported a net OPEB liability of \$654,090, which was measured as of June 30, 2023 by an actuarial valuation using generally accepted actuarial procedures.

At June 30, 2023 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	\$ -	\$ 579,522
Changes in assumptions	579,241	730,468
	\$ 579,241	\$ 1,309,990

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

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (Continued)

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
2024	\$ (50,949)
2025	(50,949)
2026	(50,949)
2027	(50,949)
2028	(50,949)
Thereafter	(476,004)

For the year ending June 30, 2023, UTOPIA recognized an actuarially calculated OPEB expense of \$23,569.

OPEB plan covered employees

As of June 30, 2023, UTOPIA had one inactive employee receiving benefits. The plan did not 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, 2023 was determined using the following actuarial assumptions with a measurement date of June 30, 2023.

Inflation rate	2.50%
Discount Rate	3.65%
Health Care Trend Rate	4.00% per year

The mortality assumptions are based on the Society of Actuaries Pub-2010 Mortality for Active and Retired Employees, as appropriate, with MP-2019 Projection to 2025 table.

Discount rate

The discount rate used to measure the total OPEB liability was 3.65 percent. This rate was based on Bond Buyer 20-Bond General Obligation index.

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

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 3.65 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 (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current rate:

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Net OPEB liability as June 30, 2023	\$ 723,013	\$ 654,090	\$ 591,535

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 of 4.0 percent, as well as what the net OPEB liability would be if it were calculated using a health care trend rate that is 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current rate range:

	1% Decrease (3.0%)	Current Rates (4.0%)	1% Increase (5.0%)
Net OPEB liability as June 30, 2023	\$ 554,138	\$ 654,090	\$ 774,360

Net OPEB liability

The following is the schedule of changes in the OPEB liability for the actuarial measurement date of June 30, 2023:

Total OPEB Liability (TOL)

Service cost at beginning of year	\$ 52,417
Interest on TOL plus service cost, less 1/2 benefit payments	22,101
Changes of assumptions	(7,697)
Benefit payments	(21,704)
Net Change in Total OPEB Liability	45,117
Total OPEB Liability, Beginning	608,973
Total OPEB Liability, Ending	\$ 654,090

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.

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

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 \$3,300,000 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 \$13,000,000 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, 2023.

UTOPIA also leases a building from UIA under a cancellable 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, 2023.

UIA paid \$4,000,000 of profits to UTOPIA during the year ended June 30, 2023 to help service debt to its member cities.

As of June 30, 2023, UTOPIA has \$77,389 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 \$4,486,316 for the year ended June 30, 2022. Since UIA's inception in 2010, UIA has paid a total of approximately \$14,400,000 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 \$11,735,417 (\$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.

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

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 2022, UTOPIA issued Series 2022 revenue bonds with total principal of \$205,335,000. 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 2023. Any amounts paid by Pledging Members to UTOPIA constitute a loan to be repaid by UTOPIA. During fiscal year 2023, UTOPIA paid back \$4,000,000 to the Pledging Members.

Pledging Member	2023 Pledged	2023 Paid	2024 Share of Total Max. Pledge	2024 Maximum Pledge *	Yearly Increase June 1,
Brigham City	\$ 525,089	\$ 525,089	3.36%	\$ 535,591	2%
Centerville City	522,229	522,229	3.34%	532,674	2%
Layton City	2,621,052	2,621,052	16.78%	2,673,473	2%
Lindon City	482,459	523,400	3.09%	492,109	2%
Midvale City	950,813	950,813	6.09%	969,829	2%
Murray City	1,930,330	1,930,330	12.36%	1,968,936	2%
Orem City	3,422,443	3,422,443	21.91%	3,490,892	2%
Payson City	259,920	238,260	1.63%	259,920	-
Perry City	128,811	129,025	0.82%	131,387	2%
Tremonton City	396,172	396,172	2.54%	404,096	2%
West Valley City	4,387,257	4,387,257	28.08%	4,475,002	2%
	<u>\$ 15,626,575</u>	<u>\$ 15,646,070</u>	<u>100.00%</u>	<u>\$ 15,933,909</u>	

* These amounts are the fiscal year 2024 maximum debt service that can be required of the Pledging Members for the months July 2023 through June 2024.

REQUIRED SUPPLEMENTARY INFORMATION

**UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS**

June 30, 2023

Last 10 Measurement Dates *

<u>Measurement Date: December 31,</u>	<u>Noncontributory System</u>	<u>Contributory Retirement System</u>	<u>Tier 2 Public Employees Retirement System</u>
<u>Proportion of the net pension liability (asset)</u>			
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%
2020	0.3224939%	0.0000000%	0.1673416%
2021	0.3520824%	0.0000000%	0.1707531%
2022	0.3712209%	0.0000000%	0.1923235%
<u>Proportionate share of the net pension liability (asset)</u>			
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
2020	165,421	-	24,068
2021	(2,016,414)	-	(72,269)
2022	635,808	-	209,420
<u>Covered payroll</u>			
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
2020	1,925,758	-	2,674,509
2021	2,071,997	-	3,169,697
2022	2,134,351	-	4,192,566

**UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS (Continued)**

June 30, 2023

Last 10 Measurement Dates *

<u>Measurement Date: December 31,</u>	<u>Noncontributory System</u>	<u>Contributory Retirement System</u>	<u>Tier 2 Public Employees Retirement System</u>
<u>Proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u>			
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%
2020	8.59%	0.00%	0.90%
2021	-97.32%	0.00%	-2.28%
2022	29.79%	0.00%	5.00%
<u>Plan fiduciary net position as a percentage of the total pension liability (asset)</u>			
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%
2020	99.2%	0.0%	98.3%
2021	108.7%	0.0%	103.8%
2022	97.5%	0.0%	92.3%

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

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
June 30, 2023
Last 10 Fiscal Years

<u>For the fiscal year ended June 30,</u>	<u>Noncontributory System</u>	<u>Tier 2 Public Employees System *</u>	<u>Tier 2 Public Employees DC Only System *</u>
<u>Actuarial Determined Contributions</u>			
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
2021	370,502	466,319	63,937
2022	385,916	576,416	76,440
2023	397,922	749,625	86,744
<u>Contributions in relation to the contractually required Contributions</u>			
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
2021	370,502	466,319	63,937
2022	385,916	576,416	76,440
2023	397,922	749,625	86,744
<u>Contribution deficiency (excess)</u>			
2014	\$ -	\$ -	\$ -
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS (Continued)
June 30, 2023
Last 10 Fiscal Years

<u>For the fiscal year ended June 30,</u>	<u>Noncontributory System</u>	<u>Tier 2 Public Employees System *</u>	<u>Tier 2 Public Employees DC Only System *</u>
<u>Covered payroll</u>			
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
2021	2,005,969	2,951,383	955,711
2022	2,089,422	3,586,906	1,142,589
2023	2,220,811	4,682,235	1,401,357
<u>Contributions as a percentage of covered payroll</u>			
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%
2021	18.47%	15.80%	6.69%
2022	18.47%	16.07%	6.69%
2023	17.92%	16.01%	6.19%

* 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, 2023

Last 10 Fiscal Years *

Total OPEB Liability (TOL)	2023	2022	2021	2020	2019	2018
Service cost at beginning of year	\$ 52,417	\$ 455,414	\$ 443,225	\$ 294,141	\$ 236,781	\$ 229,884
Interest on TOL plus service cost, less 1/2 benefit payments	22,101	75,813	69,846	73,894	61,797	51,455
Changes of benefit terms	-	(1,827,548)	-	-	-	-
Difference between actual and expected experience	-	(528,207)	-	(173,543)	(1,917)	-
Changes of assumptions	(7,697)	(840,922)	47,821	722,594	39,715	-
Benefit payments	(21,704)	(15,430)	(5,250)	-	-	-
Net Change in Total OPEB Liability	45,117	(2,680,880)	555,642	917,086	336,376	281,339
Total OPEB Liability, Beginning	608,973	3,289,853	2,734,211	1,817,125	1,480,749	1,199,410
Total OPEB Liability, Ending	\$ 654,090	\$ 608,973	\$ 3,289,853	\$ 2,734,211	\$ 1,817,125	\$ 1,480,749
Covered-employee Payroll	\$ 5,397,432	\$ 4,997,622	\$ 4,863,866	\$ 4,722,200	\$ 3,563,547	\$ 3,459,754
Total OPEB Liability as a Percentage of Covered-employee Payroll	12.12%	12.19%	67.64%	57.90%	50.99%	42.80%

* The 10-year schedule 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, 2023

RSI NOTE 1 PENSION PLAN CHANGES IN ASSUMPTIONS

No changes were made in actuarial assumptions from the prior year's valuation.

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, 2023, was determined using the following actuarial methods and assumptions:

Actuarial cost method.....	Entry Age
Amortization method.....	Level Percentage of Payroll
Salary Increases.....	2.75%
Discount rate.....	3.65%, net of investment expense, based on Bond Buyer 20 Bond Index
Health care trend rates.....	4.00%
Retirees' share of cost.....	Retiree's pay 20% of the medical and dental premiums
Inflation.....	2.50%
Mortality	Society of Actuaries Pub-2010 Mortality for Active Employees with MP-2019 Projection to 2025
Pre-retirement turnover.....	The turnover assumptions are based on the URS 2021 actuarial valuation report

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.