UIA
Utah Infrastructure Agency

UTAH INFRASTRUCTURE AGENCY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Together with Independent Auditor's Report

UTAH 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 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 Infrastructure Agency (UIA) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise UIA'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 UIA, as of June 30, 2024, 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 UIA 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 UIA'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.

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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 UIA'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 UIA'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 on pages 3 through 8 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 30, 2024 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.

K&C, CPAs

Woods Cross, Utah
December 30, 2024

UTAH INFRASTRUCTURE AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

As management of Utah Infrastructure Agency (UIA), we offer readers of UIA's financial statements this discussion and analysis of the financial activities of UIA for the fiscal year ended June 30, 2024. This narrative focuses on significant financial issues, provides an overview of the Agency's financial activity, highlights significant changes in financial position, and provides insight into future growth and development. We encourage readers to consider the information presented here in conjunction with additional information provided throughout this report.

Description of Business

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). 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.

The UIA network is a fiber optic network providing high-speed broadband voice, video, and data access. The 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 and 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. UIA itself does not provide retail services, it provides the infrastructure necessary for services to be delivered, much like an airport provides infrastructure for private airline carriers to deliver flight services to its customers.

The UIA network is connected to the Utah Telecommunication Open Infrastructure Agency (UTOPIA) fiber optic network pursuant to an Indefeasible Right of Use Agreement (IRU) between UIA and UTOPIA. The IRU grants UIA access to certain facilities of and capacity in the UTOPIA network. UTOPIA was created in 2002 by eleven pledging member cities to provide crucial infrastructure in the form of high-speed broadband access to its member cities. UTOPIA provides use of its fiber optic network and support and management services for UIA. The synergy provided by UIA's partnership with UTOPIA allows both organizations to provide their citizens a state-of-the-art broadband network. The project is facilitating economic development throughout UTOPIA member cities and since 2019, to other partnering municipalities. Residents and businesses located in areas where the network is completed have access to the fastest internet in the country.

Thirty-one service providers were actively providing services and a total of 56,714 homes and businesses were subscribing to services at year end on the combined UTOPIA/UIA network. This represents 31% of addresses passed by the network. UIA substantially completed the buildout of the eleven pledging UTOPIA member cities by June 2022. UIA has also completed the buildout of the network in seven partner cities. As these cities continue to grow, UIA will extend the network into new developments to provide access to all addresses within each city. Future growth of the network outside of the UTOPIA cities is demand-based, bringing the network to areas that will bring the best return on investment, and/or to cities willing to pledge financial support towards the success of the network. UIA has been successful in accomplishing UTOPIA's original mission: to build and maintain a fiber network to service all of the businesses and residents in UTOPIA's member cities. UIA has broadened its mission to provide the same valuable service to communities outside of the eleven founding UTOPIA cities when requested and supported by those City Councils.

As of the end of June 2024, more than 6,200 miles of fiber cable have been placed within the boundaries of participating cities. Within footprints serviced by just over 225 hut sites, there are approximately 183,000 addresses which could immediately subscribe for services on the UTOPIA/UIA network.

Highlights

Financial highlights include:

- UIA's average monthly recurring operating revenues (from service provider access fees and end-user connection fees) increased by $506,000, or 18.3% from the prior year.

- The number of subscribers to the combined UTOPIA/UIA network grew from 50,165 to 56,714, a 13% increase.

- As of June 30, 2024, UIA has issued revenue bonds for seven non-UIA partner Utah cities willing to pledge franchise and/or sales tax revenues as a payment backstop for the bonds.
  - Morgan City was the first, with bonds issued in April of 2019. The network was substantially built in Morgan by June of 2020 and has 1,776 addresses available at June 30, 2024. 68% of those addresses were connected to the network and subscribing for services at fiscal year end (1,208 subscribers of 1,776 available). UIA commonly refers to this as the "take rate."
  - In September of 2019 West Point City became the second partner city. The network was substantially built in West Point by December of 2020 and has a 46% take rate as of June 30, 2024 (1,821 subscribers of 3,972 addresses available).
  - UIA issued bonds for the City of Clearfield project in August of 2020. Construction was substantially completed in the fall of 2021 and has a 24% take rate as of June 30, 2024 (1,673 subscribers of 7,117 available).
  - UIA issued bonds for the City of Pleasant Grove project in June of 2021. The project was substantially completed in the summer of 2023 and has a take rate of 29% as of June 30, 2024 (2,611 subscribers of 9,051 available).
  - UIA issued bonds for the City of Syracuse project in September of 2021. The project was substantially completed in the fall of 2023 and has a take rate of 21% as of June 30 2024 (2,201 subscribers of 10,284 available).
  - UIA issued bonds for the City of Santa Clara project in April of 2022. The project was substantially completed in the fall of 2023 and has a take rate of 5% as of June 30, 2024 (160 subscribers of 3,004 available).
  - UIA issued bonds for the City of Cedar Hills project (approximately 3,000 addresses) in April of 2022. The project was substantially completed in the fall of 2023 and has a take rate of 30% as of June 30, 2024 (792 subscribers of 2,635 available).
  - UIA issued bonds for the City of West Haven project (approximately 6,700 addresses) in December of 2022. The project has an estimated completion date in the fall of 2024.
- UIA added $62.7M of additions and improvements to its active fiberoptic network in fiscal year 2024.
- UIA currently has $37.7M of additions and improvements in progress.
- As of June 30, 2024, Cash and Investment reserves are adequate to cover 0.9 years of operating expenses less depreciation.

Overview of Financial Statements

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

Current and Other Assets decreased by $4.6 M. This change is primarily due to a decrease in restricted cash and investments of $4.9M that was used for the construction of the network in West Haven and existing UIA and partner cities. Capital Assets net of depreciation increased by $26.9M. Current and Other Liabilities decreased by $4.9M primarily due to decreased accounts payable of $6.7M offset by an increased current portion of revenue bonds payable of $1.3M. Long-term Liabilities increased by $25.5M due to the issuance of bonds for continued growth of the network and customers. Net Position increased by $1.4M primarily due to increased operating income from operations.

Operating revenues of $39.4M were under budget by $0.8M and increased from FY 2023 by $6.1M or 18.2%. Total revenues increased by $6.2M, or 17.6%. Operating expenditures (expenses excluding interest and depreciation of $10,814,906) exceeded budget by $314,753 or 2.6%. Net position increased by $1,394,084.

Depreciation expense increased by $1.5M or 16.0%. Bond interest and fees increased by 16.0%, related to the increase in Long-term liabilities.

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

	2024	2023
Current and other assets	$ 55,769,050	$ 60,368,264
Capital assets	331,984,413	305,120,463
Total Assets	387,753,463	365,488,727
Deferred outflows of resources	3,770,717	4,001,577
Current and other liabilities	19,813,654	24,711,382
Long-term liabilities outstanding	372,481,911	346,944,391
Total Liabilities	392,295,565	371,655,773
Net investment in capital assets	(7,055,615)	(4,118,637)
Restricted	2,930,668	8,262,145
Unrestricted	3,353,562	(6,308,977)
Total Net Position	$ (771,385)	$ (2,165,469)

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

	2024	2023
Revenues:		
Operating revenues	$ 39,355,950	$ 33,292,530
Interest income	2,380,710	2,123,064
Other revenues	23,437	106,988
Total Revenues	41,760,097	35,522,582
Expenditures:		
Marketing	1,780,901	1,533,952
Professional services	34,130	19,146
Network operations	10,539,046	9,043,985
Materials and supplies	-	480,027
Depreciation	10,814,906	9,284,912
Bond interest and fees	15,272,332	13,124,437
Distribution to UTOPIA	1,924,698	4,000,000
Total Expenditures	40,366,013	37,486,459
Change in net position	1,394,084	(1,963,877)
Total net position, beginning of year	(2,165,469)	(201,592)
Total net position, end of year	$ (771,385)	$ (2,165,469)

Capital Assets and Debt Administration

UIA's capital assets, net of depreciation, totaled $332.0M. Types of assets include outside plant (fiber and conduit), inside plant (electronics), customer premise equipment, construction in progress and a capitalized lease (IRU). $26.9M was added to the active network in FY 2024. Depreciation for FY 2024 was $10.8M.

As of June 30, 2024, UIA's outstanding debt amounted to $381.1M. UIA issued revenue bonds totaling $35.5M (including discount) and repaid or amortized $8.7M.

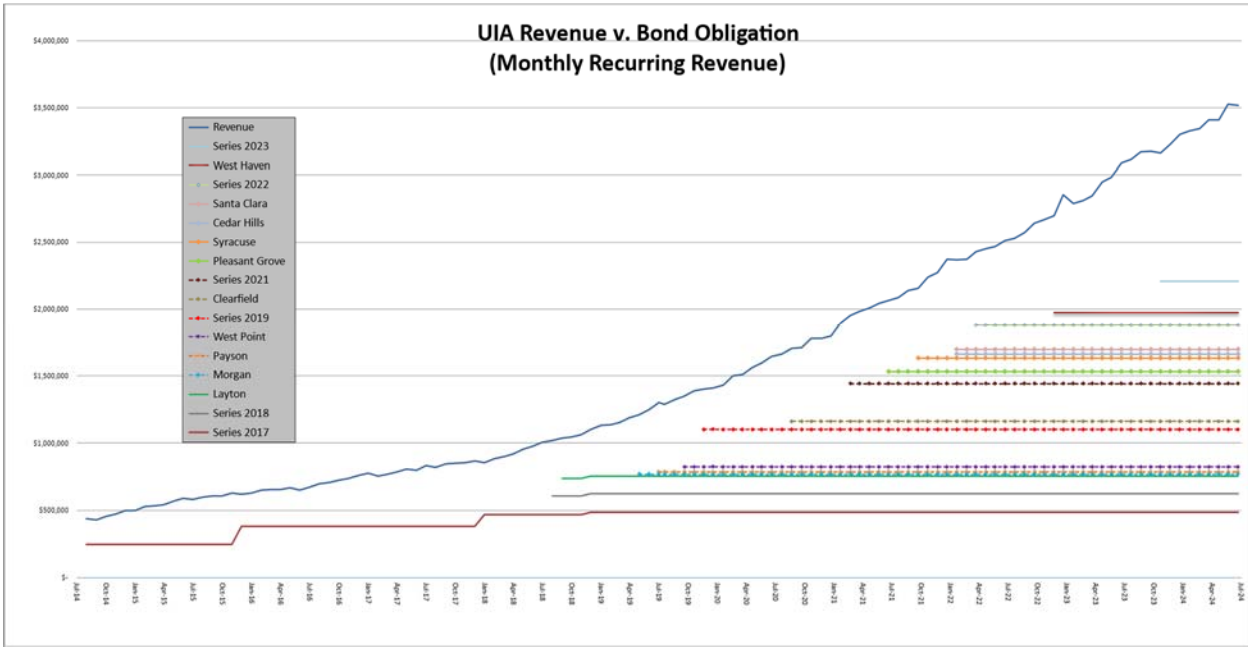
Table 3 - Summary of UIA's Capital Assets at June 30, 2024:

	2024	2023
Construction in progress	$ 7,917,588	$ 32,962,906
Land	959,272	959,272
Building	3,292,679	3,464,469
Furniture and equipment	8,795	26,289
Outside plant	242,711,724	198,277,477
Inside plant	12,349,919	11,561,573
Customer premise equipment	54,569,650	47,318,573
Intangible right	10,174,786	10,549,904
	$ 331,984,413	$ 305,120,463

Table 4 - Summary of UIA's Debt at June 30, 2024:

	2024	2023
Revenue bonds payable	$ 381,101,911	$ 354,294,391
	$ 381,101,911	$ 354,294,391

UIA's monthly recurring operating revenue exceeded monthly debt service obligations by $1.3M in June 2024. The following illustration shows revenue growth since 2014 in comparison to debt service:



<u>Subsequent events, FY 2025 budget, and future plans</u>

UIA issued bonds for connecting new residential and business customers in existing Utah areas in October of 2024. Proceeds from debt totaled $20.2M. The project is underway, and based off anticipated demand the funds will be spent by the fall of 2025.

Discussions with other cities are active, and additional partnerships in FY 2025 are possible.

The FY 2025 budget adopted in June of 2024 anticipated operating revenue of $48.7M, and anticipates a rate increase for residential products. This is $9.4M above actual operating revenue for FY 2024, and the Agency is on track to meet budgeted revenue. Budgeted operating expenditures for FY 2025 total $12.7M. This amount is $0.3M higher than actual operating expenditures for FY 2024. The largest component of operating expenditures is payment to UTOPIA for management services and connections to the UTOPIA network and is directly related to subscriber growth. The FY 2025 UIA budget also includes a non-operating distribution to Cities in the amount of $4.0M. This amount is $2.1M higher than the distribution in the prior year.

<u>Contacting UIA's Financial Management</u>

This financial report is designed to provide interested readers with a general overview of UIA'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 Infrastructure Agency, 5858 S 900 E Murray, UT 84121.

BASIC FINANCIAL STATEMENTS

UTAH INFRASTRUCTURE AGENCY
STATEMENT OF NET POSITION
June 30, 2024

Assets		
Current Assets:		
Cash	$	11,472,648
Trade receivables, net		2,424,642
Inventory		7,083,697
Notes receivable		152,446
Restricted cash equivalents		13,579,065
Total Current Assets		34,712,498
Noncurrent Assets:		
Restricted cash equivalents		19,909,505
Notes receivable		1,147,047
Capital Assets:		
Construction in progress		7,917,588
Land		959,272
Assets, net of accumulated depreciation:		
Building		3,292,679
Furniture and equipment		8,795
Fiber optic network		319,806,079
Total Noncurrent Assets		353,040,965
Total Assets		387,753,463
Deferred Outflows of Resources		
Deferred charge on refunding		3,770,717
Total Assets and Deferred Outflows of Resources	$	391,524,180
Liabilities		
Current Liabilities:		
Accounts payable	$	7,613,519
Interest payable from restricted assets		3,437,747
Revenue bonds payable		8,620,000
Unearned revenue		142,388
Total Current Liabilities		19,813,654
Noncurrent Liabilities:		
Revenue bonds payable		372,481,911
Total Noncurrent Liabilities		372,481,911
Total Liabilities		392,295,565
Net Position		
Net Investment in capital assets		(7,055,615)
Restricted for:		
Debt service		2,930,668
Unrestricted		3,353,562
Total Net Position		(771,385)
Total Liabilities and Net Position	$	391,524,180

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, 2024

Operating Revenues:		
Access fees	$	26,125,513
Installations		313,468
Connection fees		12,763,036
Miscellaneous operating revenue		153,933
Total Operating Revenues		39,355,950
Operating Expenses:		
Marketing		1,780,901
Professional services		34,130
Network operations		10,539,046
Depreciation		10,814,906
Total Operating Expenses		23,168,983
Operating Income		16,186,967
Nonoperating Revenues (Expenses):		
Interest income		2,380,710
Miscellaneous nonoperating revenue		23,437
Bond interest and fees		(15,272,332)
Distribution to UTOPIA		(1,924,698)
Total Nonoperating Revenues (Expenses)		(14,792,883)
Change In Net Position		1,394,084
Total Net Position, Beginning of Year		(2,165,469)
Total Net Position, End of Year	$	(771,385)

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

UTAH INFRASTRUCTURE AGENCY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024

Cash Flows From Operating Activities:		
Cash received from customers and users	$	39,284,770
Payments to suppliers		(17,374,656)
Net cash provided by operating activities		21,910,114
Cash Flows From Capital and Related Financing Activities:		
Purchase of capital assets		(37,987,407)
Proceeds from installations		139,943
Bond interest and fees		(15,974,848)
Proceeds from issuance of new bonds		35,630,000
Principal paid on bonds		(7,350,000)
Net cash used by capital and related financing activities		(25,542,312)
Cash Flows From Non-Capital Financing Activities:		
Distribution to UTOPIA		(1,924,698)
Net cash used by non-capital financing activities		(1,924,698)
Cash Flows From Investing Activities:		
Proceeds from sale of investments		17,764,747
Interest income		2,315,246
Net cash provided by investing activities		20,079,993
Net Increase in Cash and Cash Equivalents		14,523,097
Cash and Cash Equivalents, Beginning of Year		30,438,121
Cash and Cash Equivalents, End of Year	$	44,961,218
Reconciliation of operating income to net cash from operating activities:		
Operating income	$	16,186,967
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense		10,814,906
Bad debt expense		74,394
(Increase) decrease in assets related to operations		
Trade receivables, net		(247,651)
Inventory		(2,579,536)
Note receivable related to operating revenues		92,137
Increase (decrease) in liabilities related to operations		
Accounts payable		(2,441,043)
Unearned Revenue		9,940
Net Cash Provided by Operating Activities	$	21,910,114
Supplemental Information		
Noncash Investing, Capital, and Financing Activities:		
Inventory additions to capital assets	$	3,976,108

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 consists of nine member-cities (eight pledging and one non-pledging) at June 30, 2024. 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.

In evaluating how to define UIA 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 by the Governmental Accounting Standards Board (GASB). 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.

The following is a summary of the more significant policies.

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. Enterprise 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 UIA's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating.

Restricted Assets

UIA maintains investments held by financial institutions for safekeeping of funds relating to debt 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.

Deferred Outflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense) until then. UIA reports a deferred charge on refunding in this category.

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 prior to July 1, 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:

Outside plant and certain customer premise equipment	25-40 years
Buildings	25 years
Office furniture and equipment and vehicles	3-5 years
Intangible rights	30 years

Depreciation of inside plant and certain customer premise equipment was computed using an accelerated method over a six-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 $100,000 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.

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 $74,394.

NOTE 2 CASH AND INVESTMENTS

Deposits

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.

NOTE 2 CASH AND INVESTMENTS (Continued)

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, 2024, $10,462,408 of the $10,521,780 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Agency and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Statutes authorize the Agency to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivision of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State 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. The PTIF is not registered with the SEC as an investment company.

Components of cash and investments at June 30, 2024, are as follows:

	Fair Value	Carrying Amount	Credit Rating	Weighted Average Maturity
Cash on deposit	$ 11,456,004	$ 11,456,004	N/A	N/A
Investments:				
Utah State Public Treasurer's Investment Fund	$ 33,554,533	$ 33,504,160	unrated	< 3 mos.
Money Market Fund	1,054	1,054	Aaa	N/A
Total Investments	$ 33,555,587	$ 33,505,214		

Interest rate risk. The risk that changes in the interest rate will have an adverse effect on the fair value of an investment. UIA's written policy for managing interest rate risk is to comply with the Utah Money Management Act which requires that the term to maturity of an investment may not exceed the period of availability of the funds to be invested.

Credit risk. This is the risk that an issuer or other counter party to an investment will not fulfill its obligations. UIA follows the Money Management Act, which only allows for investments of the highest quality, as measured by the bond rating. UIA also invests in the PTIF, which, as of June 30, 2024, was 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 policy for reducing the concentration of credit risk is to follow the Utah Money Management Councils Rules, specifically Rule 17, which limits the amount of money that can be invested in a single issuer. UIA's investments are 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 policy for managing custodial credit risk is to follow the Utah Money Management Act's list of certified investment advisors. UIA's investments have no custodial credit risk.

NOTE 2 CASH AND INVESTMENTS (Continued)

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the 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.

The fair value measurements for investments are as follows at June 30, 2024:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Utah State Public Treasurer's Investment Fund	$ 33,554,533	$ -	$ 33,554,533	$ -
Money Market Fund	1,054	1,054	-	-
Total	$ 33,555,587	$ 1,054	$ 33,554,533	$ -

NOTE 3 PROPERTY AND EQUIPMENT

The following summarizes UIA's property and equipment as of June 30, 2024:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 959,272	$ -	$ -	$ 959,272
Construction in progress	32,962,906	3,506,630	(28,551,948)	7,917,588
Total capital assets, not being depreciated	33,922,178	3,506,630	(28,551,948)	8,876,860
Capital assets, being depreciated:				
Building	4,294,731	-	-	4,294,731
Furniture and equipment	418,475	-	-	418,475
Outside plant	219,629,549	50,469,288	-	270,098,837
Inside plant	27,630,453	2,672,419	-	30,302,872
Customer premise equipment	58,019,181	9,582,467	-	67,601,648
Intangible right	18,176,964	-	-	18,176,964
Total capital assets, being depreciated	328,169,353	62,724,174	-	390,893,527
Less accumulated depreciation:				
Building	(830,262)	(171,790)	-	(1,002,052)
Furniture and equipment	(392,186)	(17,494)	-	(409,680)
Outside plant	(21,352,072)	(6,035,041)	-	(27,387,113)
Inside plant	(16,068,880)	(1,884,073)	-	(17,952,953)
Customer premise equipment	(10,700,608)	(2,331,390)	-	(13,031,998)
Intangible right	(7,627,060)	(375,118)	-	(8,002,178)
Total accumulated depreciation	(56,971,068)	(10,814,906)	-	(67,785,974)
Total capital asset, net of accumulated depreciation	271,198,285	51,909,268	-	323,107,553
Property and Equipment, net	$ 305,120,463	$ 55,415,898	$ (28,551,948)	$ 331,984,413

Depreciation expense of $10,814,906 was charged to operating expense for the year ended June 30, 2024.

NOTE 4 LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended June 30, 2024.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds					
Series 2017A	$ 64,975,000	$ -	$ (1,880,000)	$ 63,095,000	$ 2,440,000
Series 2017B	650,000	-	(650,000)	-	-
Series 2018A	19,430,000	-	(670,000)	18,760,000	705,000
Series 2018 - Layton	21,670,000	-	(590,000)	21,080,000	610,000
Series 2019 - Morgan	2,485,000	-	(70,000)	2,415,000	75,000
Series 2019 - Payson	3,430,000	-	(95,000)	3,335,000	100,000
Series 2019 - West Point	7,045,000	-	(180,000)	6,865,000	190,000
Series 2019	45,620,000	-	(1,455,000)	44,165,000	1,515,000
Series 2020 - Clearfield	12,370,000	-	(285,000)	12,085,000	300,000
Series 2021	52,495,000	-	(1,475,000)	51,020,000	1,520,000
Series 2021 - Pleasant Grove	16,915,000	-	-	16,915,000	435,000
Series 2021 - Syracuse	19,220,000	-	-	19,220,000	485,000
Series 2022	30,000,000	-	-	30,000,000	-
Series 2022 - Santa Clara	6,675,000	-	-	6,675,000	130,000
Series 2022 - Cedar Hills	5,965,000	-	-	5,965,000	115,000
Series 2022 - West Haven	17,680,000	-	-	17,680,000	-
Series 2023	-	35,630,000	-	35,630,000	-
Plus: Net Premiums	27,669,391	-	(1,472,480)	26,196,911	-
Total Revenue Bonds	354,294,391	35,630,000	(8,822,480)	381,101,911	8,620,000
Total Long-Term Debt	$ 354,294,391	$ 35,630,000	$ (8,822,480)	$ 381,101,911	$ 8,620,000

Revenue Bonds

Tax-exempt Telecommunications Revenue and Refunding Bonds, Series 2017A, original issue of $73,905,000 plus a premium of $7,784,509, principal payments due in annual installments beginning October 15, 2018, interest payments due semi-annually at 2.00% to 5.00%, with the final payment due October 15, 2040. The bonds were issued to refund the Series 2011A, 2013, and 2015 Bonds and obtain additional funding for infrastructure. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.	$ 63,095,000
Tax-exempt Telecommunications Revenue Bonds, Series 2018A, original issue of $21,810,000 plus a premium of $2,323,343, principal payments due in annual installments beginning October 2019, interest payments due semi-annually at 5.000% to 5.375%, with the final payment due October 2040. The bonds were issued to finance the expansion of UIA's infrastructure. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.	18,760,000
Layton City Telecommunications and Franchise Tax Revenue Bonds, Series 2018, original issue of $22,285,000 plus a premium of $1,863,184, principal payments due in annual installments beginning October 2021, interest payments due semi-annually at 3.00% to 5.00%, with the final payment due October 2044. The bonds were issued to finance the expansion of UIA's infrastructure within Layton City. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.	21,080,000

NOTE 4 LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

Telecommunications, Electric Utility, and Sales Tax Revenue Bonds (Morgan City Project), Series 2019, original issue of $2,550,000 plus a premium of $67,549, principal payments due in annual installments beginning October 2022, interest payments due semi-annually at 3.375% to 5.000%, with the final payment due October 2044. The bonds were issued to finance the construction of UIA's infrastructure within Morgan City. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.	$	2,415,000
Telecommunications and Franchise Tax Revenue Bonds (Payson City Project), Series 2019, original issue of $3,520,000 plus a premium of $198,292, principal payments due in annual installments beginning October 2022, interest payments due semi-annually at 3.00% to 5.00%, with the final payment due October 2044. The bonds were issued to finance the expansion of UIA's infrastructure within Payson City. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.		3,335,000
Telecommunications, Franchise, and Sales Tax Revenue Bonds (West Point City Project), Series 2019, original issue of $7,220,000 plus a premium of $595,011, principal payments due in annual installments beginning October 2022, interest payments due semi-annually at 3.00% to 4.00%, with the final payment due October 2046. The bonds were issued to finance the construction of UIA's infrastructure within West Point City. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.		6,865,000
Telecommunications Revenue Bonds, Series 2019, original issue of $48,365,000 plus a premium of $3,634,287, principal payments due in annual installments beginning October 2021, interest payments due semi-annually at 4.0% to 5.0%, with the final payment due October 2042. The bonds were issued to finance improvements of UIA's infrastructure. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.		44,165,000
Telecommunications and Franchise Tax Revenue Bonds, Series 2020 (Clearfield City Project), original issue of $12,645,000 plus a premium of $1,348,306, principal payments due in annual installments beginning October 2022, interest payments due semi-annually at 2.75% to 5.00%, with the final payment due October 2047. The bonds were issued to finance the expansion of UIA's infrastructure within Clearfield City. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.		12,085,000
Telecommunications Revenue Bonds, Series 2021, original issue of $52,495,000 plus a premium of $6,758,016, principal payments due in annual installments beginning October 2023, interest payments due semi-annually at 3.00% to 4.00%, with the final payment due October 2045. The bonds were issued to finance improvements of UIA's infrastructure. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.		51,020,000

NOTE 4 LONG-TERM DEBT (Continued)

<u>Revenue Bonds (Continued)</u>

Telecommunications and Franchise Tax Revenue Bonds, Series 2021 (Pleasant Grove City Project), original issue of $16,915,000 plus a premium of $2,749,958, principal payments due in annual installments beginning October 2024, interest payments due semi-annually at 2.00% to 4.00%, with the final payment due October 2048. The bonds were issued to finance the expansion of UIA's infrastructure within Pleasant Grove City. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.	$ 16,915,000
Telecommunications, Franchise, and Sales Tax Revenue Bonds, Series 2021 (Syracuse City Project), original issue of $19,220,000 plus a premium of $3,337,961, principal payments due in annual installments beginning October 2024, interest payments due semi-annually at 2.00% to 4.00%, with the final payment due October 2048. The bonds were issued to finance the expansion of UIA's infrastructure within Syracuse City. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.	19,220,000
Telecommunications Revenue Bonds, Series 2022, original issue of $30,000,000 less a discount of $60,172, principal payments due in annual installments beginning October 2025, interest payments due semi-annually at 5.00%, with the final payment due October 2046. The bonds were issued to finance improvements of UIA's infrastructure. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.	30,000,000
Telecommunications, Franchise, and Sales Tax Revenue Bonds, Series 2022 (Santa Clara City Project), original issue of $6,675,000 less a discount of $51,563, principal payments due in annual installments beginning October 2024, interest payments due semi-annually at 4.00% to 4.25%, with the final payment due October 2051. The bonds were issued to finance the expansion of UIA's infrastructure within Santa Clara City. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.	6,675,000
Telecommunications, Franchise, and Sales Tax Revenue Bonds, Series 2022 (Cedar Hills City Project), original issue of $5,965,000 plus a premium of $18,405, principal payments due in annual installments beginning October 2024, interest payments due semi-annually at 2.00% to 4.00%, with the final payment due October 2051. The bonds were issued to finance the expansion of UIA's infrastructure within Cedar Hills City. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.	5,965,000
Telecommunications, Franchise, and Sales Tax Revenue Bonds, Series 2022 (West Haven Project), original issue of $17,680,000 plus a premium of $1,913,349, principal payments due in annual installments beginning October 2025, interest payments due semi-annually at 5.00% to 5.50%, with the final payment due October 2049. The bonds were issued to finance the expansion of UIA's infrastructure within West Haven City. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.	17,680,000

NOTE 4 LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

Telecommunications Revenue Bonds, Series 2023, original issue of $35,630,000 less a discount of $147,311, principal payments due in annual installments beginning October 2025, interest payments due semi-annually at 5.00% to 6.00%, with the final payment due October 2047. The bonds were issued to finance improvements of UIA's infrastructure. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.	$ 35,630,000
Total Revenue Bonds	354,905,000
Less current portion	(8,620,000)
Noncurrent portion	$ 346,285,000

The following summarizes UIA's revenue bonds debt service requirements as of June 30, 2024:

Year	Principal	Interest	Total
2025	$ 8,620,000	$ 15,936,500	$ 24,556,500
2026	10,895,000	15,524,188	26,419,188
2027	11,370,000	15,032,038	26,402,038
2028	11,915,000	14,498,963	26,413,963
2029	12,415,000	13,927,238	26,342,238
2030-2034	71,740,000	60,156,759	131,896,759
2035-2039	90,160,000	41,670,788	131,830,788
2040-2044	86,955,000	19,997,238	106,952,238
2045-2049	47,425,000	5,129,188	52,554,188
2050-2052	3,410,000	172,297	3,582,297
	$ 354,905,000	$ 202,045,194	$ 556,950,194

Advanced Refunding/Defeasance of Debt
The net proceeds from the Series 2017A and Series 2017B Bonds (collectively, the Series 2017 Bonds) used for the advanced refunding of the Series 2011A, Series 2011B, Series 2013, and Series 2015 Bonds totaled $64,802,106 and together with an equity contribution from UIA in the amount of $1,486,149 were placed in a trust account with Zions Bank, the escrow agent for the defeasance. Accordingly, the trust account assets and the liability for the defeased bonds are not included in UIA's financial statements. At June 30, 2024, $19,105,000 of the bonds remained outstanding and are considered defeased.

The escrow agent is authorized to purchase direct non-callable obligations of, or obligations guaranteed by the full faith and credit of the United States of America (Government Securities) and establish a beginning cash balance for future debt service payments on the refunded bonds. The escrow agent is not authorized to sell, transfer, or otherwise dispose of or make substitutions of the Government Securities without UIA's authorization. No substitutions were requested as of June 30, 2024.

NOTE 5 RELATED PARTY COMMITMENTS AND CONTRACTS

Related Party
Management has determined that UIA and UTOPIA are related parties. During the year UTOPIA charged UIA a management fee of $3,837,000 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 $16,800,000 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, 2024.

NOTE 5 RELATED PARTY COMMITMENTS AND CONTRACTS (Continued)

Related Party (Continued)
UIA also leases a building to UTOPIA 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 received from UTOPIA for rent totaled $141,600 for the year ended June 30, 2024.

UIA paid $1,924,698 of profits to UTOPIA during the year ended June 30, 2024 to help UTOPIA service debt to its member cities.

As of June 30, 2024, UIA had $118,972 in accounts receivable from UTOPIA.

Interlocal Cooperative Agreement
UIA has entered into an Interlocal Cooperative Agreement with 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 agreement is renewed annually. UIA recorded expenditures to UTOPIA of $6,710,314 for the year ended June 30, 2024. Since UIA's inception in 2010, UIA has paid a total of approximately $26,800,000 to UTOPIA for services related to the Interlocal Cooperative Agreement.

NOTE 6 PLEDGING MEMBERS LIABILITY AND COMMITTMENTS

The eight 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 2017 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	2024 Share of Total Max. Pledge	2024 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

* These amounts are the estimated maximum annual amount of franchise tax revenue payable by each city.

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.

NOTE 7 SUBSEQUENT EVENTS

In October 2024, UIA issued $19,000,000 of Telecommunications and Sales Tax Revenue Bonds, Series 2024 to fund the acquisition, construction, and installation of communication lines and related improvements and facilities to expand the UIA Network. Principal payments on the bonds are due in annual installments of $440,000 to $1,405,000 beginning in 2026 through 2048, with interest at 5.00% to 5.50% due semiannually beginning in fiscal year 2025.