UTAH INFRASTRUCTURE AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2021

UTAH INFRASTRUCTURE AGENCY
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Utah Infrastructure Agency
Murray, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Utah Infrastructure Agency (UIA) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise UIA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of UIA as of June 30, 2021, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2022 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

Salt Lake City, Utah
March 11, 2022

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, 2021. 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.

Twenty-five service providers were actively providing services and a total of 40,029 homes and businesses were subscribing to services at year end on the combined UTOPIA/UIA network. This represents 30% of addresses passed by the network. UIA will have essentially completed the buildout of the eleven pledging UTOPIA member cities by June 2022. UIA has also completed the buildout of the network in three 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 2021, more than 4,700 miles of fiber cable have been placed within the boundaries of participating cities. Within footprints serviced by just over 180 hut sites, there are approximately 135,000 addresses which could immediately subscribe for services on the UTOPIA/UIA network. Once the network is completely built out within participating cities, approximately 180,000 addresses will be able to subscribe for services.

Highlights

Financial highlights include:

- UIA's average monthly recurring operating revenues (from service provider access fees and end-user connection fees) increased by $414,000, or 28.5% from the prior year.

- The number of subscribers to the combined UTOPIA/UIA network grew from 30,993 to 40,029, a 29% increase.

- As of June 30, 2021, UIA has issued revenue bonds for four 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. Access to the network is available to 1,521 residential and business addresses in Morgan, and as of June 30, 2021, 55% of those addresses were connected to the network and subscribing for services. 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 34% take rate as of June 30, 2021 (1,156 subscribers of 3,360 addresses available).

    - UIA issued bonds for the City of Clearfield project (approximately 6,700 addresses) in August of 2020. Construction was substantially completed subsequent to year end, in the fall of 2021.

    - UIA issued bonds for the City of Pleasant Grove project (approximately 10,000 addresses) in June of 2021. Construction is underway, with an estimated completion date in the fall of 2022.

- UIA added $49.6M of additions and improvements to its active fiberoptic network in fiscal year 2021.

- UIA currently has $19.7M of additions and improvements in progress.

- As of June 30, 2021, Cash reserves are adequate to cover three full years of operating expenses.

UTAH INFRASTRUCTURE AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 increased by $38.9M. $8.3M of this increase is unrestricted and $30.6M is restricted for construction and debt service. Capital Assets increased by $50.8M. Current and Other Liabilities increased by $2.6M. Long-term Liabilities increased by $86.3M due to the issuance of three bonds; Clearfield, UIA general, and Pleasant Grove. Net Position improved by $.5M.

Operating revenues of $22.4M exceeded budget by $776,570 and increased from FY 2020 by $5.3M or 30.6%. Total revenues increased by $5.3M, or 28.1%. Operating expenditures (expenses excluding interest and depreciation of $6,785,820) were $336,720, or 5% in excess of budget. Net position improved by $545,856.

Depreciation expense was significantly less in FY 2021 due to a change in estimated service life for conduit and fiber. Prior to FY 2021, conduit and fiber was assigned a service life of 25 years. Based on UIA experience and industry standards, estimated service life of these assets was increased to 40 years. Bond interest and fees increased by 23.6%, related to the increase in Long-term liabilities.

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

	2021	2020
Current and other assets	$ 102,286,198	$ 63,367,767
Capital assets	186,890,372	136,137,488
Total Assets	289,176,570	199,505,255
Deferred outflows of resources	4,463,297	4,694,157
Total Assets and deferred outlows of resources	293,639,867	204,199,412
Current and other liabilities	16,428,153	13,868,381
Long-term liabilities outstanding	277,655,770	191,320,943
Total Liabilities	294,083,923	205,189,324
Net investment in capital assets	(24,374,358)	(19,109,531)
Restricted	8,262,082	4,620,189
Unrestricted	15,668,220	13,499,431
Total Net Position	$ (444,056)	$ (989,912)

UTAH INFRASTRUCTURE AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

	2021	2020
Revenues:		
Operating revenues	$ 22,447,670	$ 17,183,183
Interest income	457,006	1,418,679
Other revenues	1,122,680	152,848
Total Revenues	24,027,356	18,754,710
Expenditures:		
Marketing	876,739	769,906
Professional services	240,797	178,222
Network operations	5,668,284	4,445,694
Construction contract costs	-	93,297
Depreciation	6,757,075	8,990,683
Bond interest and fees	9,938,605	8,039,778
Total Expenditures	23,481,500	22,517,580
Change in net position	545,856	(3,762,870)
Total net position, beginning of year	(989,912)	2,772,958
Total net position, end of year	$ (444,056)	$ (989,912)

Capital Assets and Debt Administration

UIA's capital assets, net of depreciation, totaled $186.9M. Types of assets include outside plant (fiber and conduit), inside plant (electronics), customer premise equipment, construction in progress and a capitalized lease (IRU). $49.6M was added to the active network in FY 2021. Depreciation for FY 2021 was $6.8M. As discussed above, the expected life of conduit and fiber was extended from 25 years to 40 years in FY 2021.

As of June 30, 2021, UIA's outstanding debt amounted to $283.5M. UIA issued revenue bonds totaling $92.9M (including premium) and repaid or amortized $3.7M. Notes payable from direct borrowings decreased by a net $1.4M. The balance of Notes Payable to Pledging Members (included in Notes Payable from direct borrowings) decreased by a net $1.3M. The FY 2022 budget anticipates paying off the remaining balance of $1.3M.

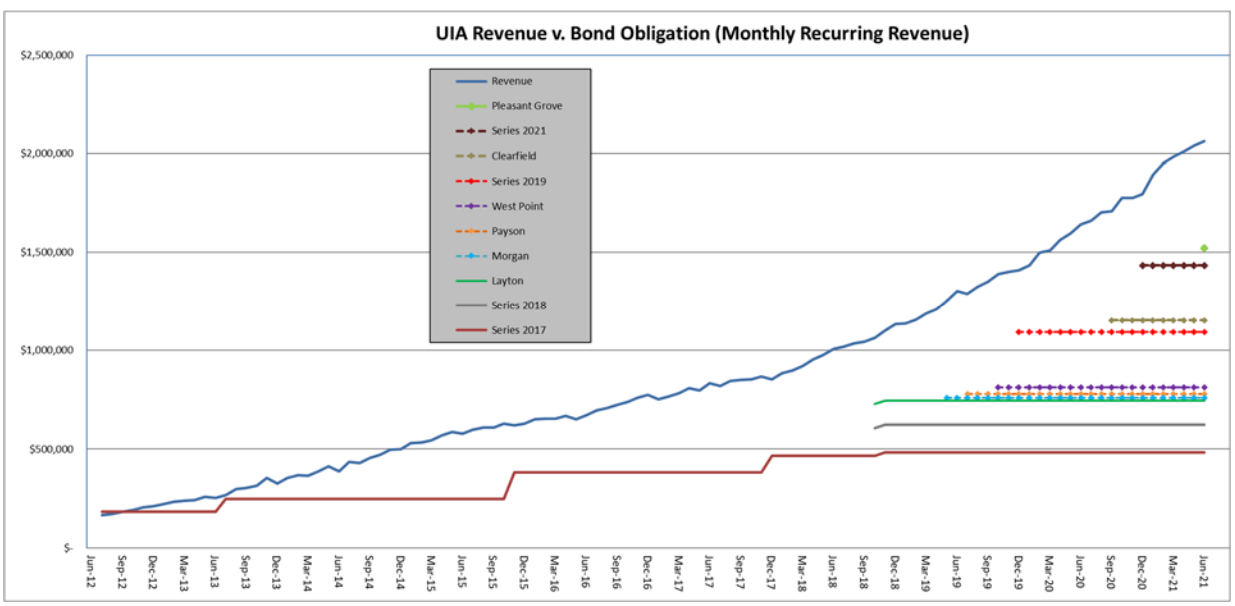
Table 3 - Summary of UIA's Capital Assets at June 30, 2021:

	2021	2020
Construction in progress	$ 19,662,901	$ 11,765,028
Land	959,272	959,272
Building	3,808,048	3,557,763
Furniture and equipment	104,194	181,206
Outside plant	108,299,225	72,989,251
Inside plant	7,547,795	6,534,083
Customer premise equipment	35,210,845	28,398,370
Intangible right	11,298,092	11,752,515
	186,890,372	$ 136,137,488

Table 4 - Summary of UIA's Debt at June 30, 2021:

	2020	2019
Revenue bonds payable	$ 282,075,770	$ 192,842,489
Notes payable from direct borrowings	1,388,270	2,760,954
	$ 283,464,040	$ 195,603,443

UIA's monthly recurring operating revenue exceeded monthly debt service obligations by $1.4M in June 2021. The following illustration shows revenue growth since 2012 in comparison to debt service:



Subsequent events, FY 2022 budget, and future plans

UIA issued bonds for extending its network into Syracuse City, Utah in September of 2021. Proceeds from debt totaled $22.6M. The project is underway, and when completed in late 2022, the UIA network will be available to an additional 11,700 addresses.

UIA plans to issue another series of UIA general revenue bonds of approximately $30M in March 2022. The purpose of the bonds is to expand the UIA network to new developments in participating cities, fund extensions of the network to take advantage of business opportunities and pay for curb to home connections for new subscribers.

UIA also plans to issue bonds for the Utah cities of Cedar Hills (approximately $5.6M) and Santa Clara (approximately $6.3M) in March of 2022. Discussions with other Utah cities are active, and additional partnerships in FY 2022 are expected.

The FY 2022 budget adopted in June of 2021 anticipated operating revenue of $25.7M. This is $3.3M above actual operating revenue for FY 2021, and the Agency is on track to exceed budgeted revenue by at least $1M. Budgeted operating expenditures for FY 2022 total $8.2M. This amount is $1.4M higher than actual operating expenditures for FY 2021. 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.

Contacting UIA's Financial Management

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, 2021

Assets	
Current Assets:	
Cash	$ 21,283,322
Trade receivables, net	1,713,531
Investments	3,090,240
Inventory	5,610,052
Notes receivable	222,598
Restricted cash equivalents	50,997,670
Total Current Assets	82,917,413
Noncurrent assets:	
Restricted cash equivalents	17,469,813
Notes receivable	1,898,972
Capital Assets:	
Construction in progress	19,662,901
Land	959,272
Assets, net of accumulated depreciation:	
Building	3,808,047
Furniture and equipment	104,194
Fiber optic network	162,355,958
Total Noncurrent Assets	206,259,157
Total Assets	289,176,570
Deferred Outflows of Resources	
Deferred charge on refunding	4,463,297
Total Assets and Deferred Outflows of Resources	$ 293,639,867

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

UTAH INFRASTRUCTURE AGENCY
STATEMENT OF NET POSITION (Continued)
June 30, 2021

Liabilities	
Current Liabilities:	
Accounts payable	$ 7,928,834
Interest payable from restricted assets	2,530,686
Notes payable	1,388,270
Revenue bonds payable	4,420,000
Unearned revenue	160,363
Total Current Liabilities	16,428,153
Noncurrent Liabilities:	
Revenue bonds payable	277,655,770
Total Noncurrent Liabilities	277,655,770
Total Liabilities	294,083,923
Net Position	
Net Investment in capital assets	(24,374,358)
Restricted for:	
Debt service	8,262,082
Unrestricted	15,668,220
Total Net Position	(444,056)
Total Liabilities and Net Position	$ 293,639,867

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, 2021

Operating Revenues:	
Access fees	$ 14,931,211
Installations	123,668
Connection fees	7,240,251
Miscellaneous operating revenue	152,540
Total Operating Revenues	22,447,670
Operating Expenses:	
Marketing	876,739
Professional services	240,797
Network Operations	5,668,284
Depreciation	6,757,075
Total Operating Expenses	13,542,895
Operating Income	8,904,775
Nonoperating Revenues (Expenses):	
Interest income	457,006
Installation related capital contributions	1,122,680
Bond interest and fees	(9,938,605)
Total Nonoperating Revenues (Expenses)	(8,358,919)
Change In Net Position	545,856
Total Net Position, Beginning of Year	(989,912)
Total Net Position, End of Year	$ (444,056)

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

UTAH INFRASTRUCTURE AGENCY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

Cash Flows From Operating Activities:	
Cash received from customers and users	$ 23,713,388
Payments to suppliers	(20,002,875)
Net cash provided by operating activities	3,710,513
Cash Flows From Capital and Related Financing Activities:	
Purchase of capital assets	(46,521,664)
Proceeds from installations	1,392,201
Bond interest and fees	(9,662,878)
Proceeds from issuance of new bonds	92,911,279
Principal paid on bonds	(2,830,000)
Net cash provided by capital and related financing activities	35,288,938
Cash Flows From Non-Capital Financing Activity:	
Payment of note payable	(1,455,237)
Net cash used by non-capital financing activity	(1,455,237)
Cash Flows From Investing Activities:	
Interest income	457,006
Net cash used by investing activities	457,006
Net Increase in Cash and Cash Equivalents	38,001,220
Cash and Cash Equivalents, Beginning of Year	51,749,585
Cash and Cash Equivalents, End of Year	$ 89,750,805

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

UTAH INFRASTRUCTURE AGENCY
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended June 30, 2021

Reconciliation of operating loss to net cash from operating activities:

Operating income	$ 8,904,775
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation expense	6,757,075
Bad debt expense	279,533
(Increase) decrease in assets related to operations	
Trade receivables, net	738,603
Prepaid expenses	10,226
Inventory	(12,842,786)
Note receivable related to operating revenues	213,145
Increase (decrease) in liabilities related to operations	
Accounts payable	(367,695)
Accrued liabilities	(16,800)
Unearned Revenue	34,437
Net Cash Provided by Operating Activities	$ 3,710,513

Supplemental Information

Noncash Investing, Capital, and Financing Activities:

Inventory additions to capital assets	$ 10,614,061
Accrued interest addition to notes payable	82,553

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, 2021. 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.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

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.

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 $80,000 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.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Change in Estimate

Effective July 1, 2020, UIA changed the useful life estimate for outside plant and certain customer premise equipment. The change is being applied on a prospective basis beginning in fiscal year 2021. The effect of this change in the current period is a decrease of $1,009,732 in operating expenses and a corresponding increase in the change in net position.

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 $146,446.

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.

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, 2021, $17,452,263 of the $17,702,263 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.

UTAH INFRASTRUCTURE AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

Components of cash and investments at June 30, 2021, are as follows:

	Fair Value	Carrying Amount	Credit Rating	Weighted Average Maturity
Cash on deposit	$ 17,340,950	$ 17,340,950	N/A	N/A
Investments:				
Utah State Public Treasurer's Investment Fund	$ 72,652,600	$ 72,409,855	unrated	< 3 mos.
Corporate bonds	1,330,561	1,330,561	BBB+ to A+	< 2 years
Certificates of deposit	1,726,800	1,726,800	BBB- to A+	< 3 years
Money Market Fund	32,879	32,879	AAAm	N/A
Total Investments	$ 75,742,840	$ 75,500,095		

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, 2021, 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 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, 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 investment in PTIF has no custodial credit risk.

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.

UTAH INFRASTRUCTURE AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

The fair value measurements for investments are as follows at June 30, 2021:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Utah State Public Treasurer's Investment Fund	$ 72,652,600	$ -	$ 72,652,600	$ -
Corporate bonds	1,330,561	-	1,330,561	-
Certificates of deposit	1,726,800	-	1,726,800	-
Money Market Fund	32,879	32,879	-	-
Total	$ 75,742,840	$ 32,879	$ 75,709,961	$ -

NOTE 3 PROPERTY AND EQUIPMENT

The following summarizes UIA's property and equipment as of June 30, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 959,272	$ -	$ -	$ 959,272
Construction in progress	11,765,028	18,880,918	(10,983,045)	19,662,901
Total capital assets, not being depreciated	12,724,300	18,880,918	(10,983,045)	20,622,173
Capital assets, being depreciated:				
Building	3,880,605	414,126	-	4,294,731
Furniture and equipment	418,475	-	-	418,475
Outside plant	83,588,355	37,885,112	-	121,473,467
Inside plant	17,482,425	2,744,889	-	20,227,314
Customer premise equipment	33,244,293	8,567,959	-	41,812,252
Intangible right	18,176,964	-	-	18,176,964
Total capital assets, being depreciated	$ 156,791,117	$ 49,612,086	$ -	$ 206,403,203
Less accumulated depreciation:				
Building	$ (322,842)	$ (163,841)	$ -	$ (486,683)
Furniture and equipment	(237,269)	(77,012)	-	(314,281)
Outside plant	(10,599,104)	(2,575,138)	-	(13,174,242)
Inside plant	(10,948,342)	(1,731,177)	-	(12,679,519)
Customer premise equipment	(4,845,923)	(1,755,484)	-	(6,601,407)
Intangible right	(6,424,449)	(454,423)	-	(6,878,872)
Total accumulated depreciation	(33,377,929)	(6,757,075)	-	(40,135,004)
Total capital asset, net of accumulated depreciation	123,413,188	42,855,011	-	166,268,199
Property and Equipment, net	$ 136,137,488	$ 61,735,929	$ (10,983,045)	$ 186,890,372

Depreciation expense of $6,757,075 was charged to operating expense for the year ended June 30, 2021.

NOTE 4 LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended June 30, 2021.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds					
Series 2017A	$ 70,135,000	$ -	$ (1,660,000)	$ 68,475,000	$ 1,705,000
Series 2017B	2,480,000	-	(590,000)	1,890,000	610,000
Series 2018A	21,260,000	-	(580,000)	20,680,000	610,000
Series 2018 - Layton	22,285,000	-	-	22,285,000	150,000
Series 2019 - Morgan	2,550,000	-	-	2,550,000	-
Series 2019 - Payson	3,520,000	-	-	3,520,000	-
Series 2019 - West Point	7,220,000	-	-	7,220,000	-
Series 2019	48,365,000	-	-	48,365,000	1,345,000
Series 2020 - Clearfield	-	12,645,000	-	12,645,000	-
Series 2021	-	52,495,000	-	52,495,000	-
Series 2020 - Pleasant Grove	-	16,915,000	-	16,915,000	-
Plus: Unamortized Premiums	15,027,489	10,856,279	(847,998)	25,035,770	-
Total Revenue Bonds	192,842,489	92,911,279	(3,677,998)	282,075,770	4,420,000
Notes Payable from Direct Borrowings					
Pledging Members	2,642,615	82,080	(1,396,624)	1,328,071	1,328,071
Tremonton Note	118,339	473	(58,613)	60,199	60,199
Total Notes Payable from Direct Borrowings	2,760,954	82,553	(1,455,237)	1,388,270	1,388,270
Total Long-Term Debt	$195,603,443	$ 92,993,832	$ (5,133,235)	$283,464,040	$ 5,808,270

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.	$ 68,475,000
Taxable Telecommunication Revenue Refunding Bonds, Series 2017B, original issue of $3,500,000, principal payments due in annual installments beginning October 15, 2018, interest payments due semi-annually at 3.50% with the final payment due October 15, 2023. The bonds were issued to refund the Series 2011B Bonds. There are no significant events of default or termination events with finance-related consequences and no subjective acceleration clauses.	1,890,000

NOTE 4 LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

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.	$ 20,680,000
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.	22,285,000
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.	2,550,000
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.	3,520,000

NOTE 4 LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

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.	$ 7,220,000
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.	48,365,000
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.	12,645,000
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.	52,495,000

NOTE 4 LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

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
Total Revenue Bonds	257,040,000
Less current portion	(4,420,000)
Noncurrent portion	$ 252,620,000

The following summarizes UIA's revenue bonds debt service requirements as of June 30, 2021:

Year	Principal	Interest	Total
2022	$ 4,420,000	$ 11,212,752	$ 15,632,752
2023	5,535,000	10,788,419	16,323,419
2024	7,350,000	10,517,244	17,867,244
2025	7,890,000	10,203,244	18,093,244
2026	8,225,000	9,860,069	18,085,069
2027-2031	47,195,000	43,190,219	90,385,219
2032-2036	59,120,000	31,157,122	90,277,122
2037-2041	73,790,000	16,300,066	90,090,066
2042-2046	38,655,000	3,716,222	42,371,222
2047-2049	4,860,000	229,569	5,089,569
	$ 257,040,000	$ 147,174,923	$ 404,214,923

NOTE 4 LONG-TERM DEBT (Continued)

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, 2021, $52,930,000 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, 2021.

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 $2,278,800 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 $7,000,000 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, 2021.

UIA also leases a building to UTOPIA under an operating lease agreement entered into on May 1, 2017. The term of the lease is five years with a one-year auto renewal. Payments received from UTOPIA for rent totaled $141,600 for the year ended June 30, 2021.

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 $3,389,484 for the year ended June 30, 2021. Since UIA's inception in 2010, UIA has paid a total of approximately $9,900,000 to UTOPIA for services related to the Interlocal Cooperative Agreement.

UTAH INFRASTRUCTURE AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

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	2021 Share of Total Max. Pledge	2021 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. Paid assessments of $1,328,071 have been recorded as notes payable to the cities. For the year ended June 30, 2021, UIA paid a total of $1,348,840 back to the cities, which included outstanding accrued interest.

Tremonton City (a pledging member of UTOPIA) was not assessed for UIA working capital, but voluntarily paid $167,292 prior to June 30, 2018. UIA has repaid Tremonton City $107,093. The remaining $60, 199 is recorded as a Note Payable to Tremonton City.

UTAH INFRASTRUCTURE AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 PLEDGING MEMBERS LIABILITY AND COMMITTMENTS (Continued)

The schedule below summarizes the cumulative totals paid by the cities:

City	2021 OpEx Assessments Paid	Cumulative Paid	2021 Payments to Cities	Cumulative Payments	Cumulative Remaining
Brigham City	$ -	$ 34,824	$ -	$ (34,824)	$ -
Centerville City	-	221,373	(97,261)	(97,261)	124,112
Layton City	-	623,750	(190,039)	(437,361)	186,389
Lindon City	-	118,155	(51,826)	(51,826)	66,329
Midvale City	-	307,486	(106,541)	(197,175)	110,311
Murray City	-	141,666	(62,423)	(62,423)	79,243
Orem City	-	1,099,242	(378,745)	(707,090)	392,152
Payson City	-	242,945	(84,097)	(155,759)	87,186
West Valley City	-	1,017,276	(318,241)	(734,927)	282,349
	$ -	$ 3,806,717	$ (1,289,173)	$ (2,478,646)	$ 1,328,071

NOTE 7 SUBSEQUENT EVENTS

On September 8, 2021, UIA issued $19,220,000 of Telecommunications, Franchise, and Sales Tax Revenue Bonds, Series 2021 to fund the acquisition, construction, and installation of a fiber optic network in Syracuse City. Principal payments on the bonds are due in annual installments of $485,000 to $1,190,000 beginning in 2024 through 2048, with interest at 2.00% to 4.00% due semiannually beginning in fiscal year 2022.