UTAH INFRASTRUCTURE AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2015

UTAH INFRASTRUCTURE AGENCY
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Keddington & Christensen, LLC
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Utah Infrastructure Agency
West Valley City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Infrastructure Agency (UIA) as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Utah Infrastructure Agency as of June 30, 2015, 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 November 20, 2015 on our consideration of UIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UIA's internal control over financial reporting and compliance.

Keddington & Christensen

November 20, 2015

UTAH INFRASTRUCTURE AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The following is a discussion and analysis of the Utah Infrastructure Agency (UIA) financial activities for the fiscal year ending June 30, 2015.

Description of Business

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

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

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

The UIA network is connected to the UTOPIA fiber optic network pursuant to an Indefeasible Right of Use Agreement (IRU) between UIA and UTOPIA, which grants UIA access to certain facilities of and capacity in the UTOPIA network. The UTOPIA network provides telecommunications services, support and management services as well as crucial infrastructure for the UIA network. The synergy provided by UIA's partnership with UTOPIA allows both organizations to provide their citizens a state-of-the-art broadband network. The cities are continuously striving to make the original vision a reality. The project is facilitating economic development and improving the quality of life of residents throughout UTOPIA member cities. Today Utah is ranked 4th in the country in terms of average internet speed and this is due in large part by the competition created by networks like UTOPIA. Where the network is completed, citizens have access to some of the fastest Internet in Utah and the country.

The competition that has been created by the network has driven improvements to the member cites in terms of better broadband at lower prices and the availability of the network has proved to be a key factor in attracting large business. UIA is more financially stable than it has ever been and is well on its way to accomplishing the original vision of its founders. As one of the first municipal projects in the country lessons have been learned by UTOPIA/UIA. UIA is making significant progress towards the project's original mission: to have a state of the art fiber network to help promote economic development and attract future residents.

Twenty service providers—Beehive Communications, Brigham.net, Centracom, Fibernet, First Digital, Infowest, Integra Telecom, Neighborhood Networks, OneWire, Rigidtech, SenaWave, SumoFiber, Syringa, Telesphere, Utah Broadband, Veracity, Voonami, Windstream, XMission, Yondoo, and YipTel—were actively providing services and a total of 12,631 homes and businesses had subscribed to services at year end on the UTOPIA/UIA network. Future growth of the network will be largely demand-based, bringing the network first to those areas that will bring the best return on investment. Over the last few years, UIA has primarily been focusing on serving the growing the number of business subscribers, offering services for small, medium, and enterprise-class firms. With the completion of the majority of the member cities' commercial regions, UIA will switch focus and concentrate more on residential construction.

UTAH INFRASTRUCTURE AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Highlights

Some of the financial highlights include:

- Net Position of UIA increased from a negative net position of $1,731,423 to a positive net position of $587,559, an increase of $2,318,982.
- UIA's revenues increased $2,188,819 from the prior year.

Overview of Financial Statements

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

Operating revenues of $6.3 million exceeded budget by $715,000. Total operating expense (expenses excluding interest and depreciation) of $528,000 was $148,000 below budget. Operating profit (EBITDA) for the year was $1.3 million better than budgeted. The net profit for the year was $$2.3 Million, which was better than budget by $2.5 million.

UIA's net position is also now positive, at nearly $600,000.

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

	2015	2014
Current and other assets	$ 9,179,219	$ 10,922,548
Capital assets	40,142,347	39,358,593
Total Assets	49,321,566	50,281,141
Current and other liabilities	2,304,409	3,284,556
Long-term liabilities outstanding	46,429,598	48,728,008
Total Liabilities	48,734,007	52,012,564
Net investment in capital assets	3,384,664	3,350,994
Restricted	1,896,307	4,733,925
Unrestricted	(4,693,412)	(9,816,342)
Net Position	$ 587,559	$ (1,731,423)

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

	2015	2014
Revenues:		
Operating revenues	$ 6,327,341	$ 4,322,941
Interest income	291,526	329,094
Other revenues	799,864	577,877
Total Revenues	7,418,731	5,229,912
Expenditures:		
Marketing	86,013	85,778
Professional services	78,238	65,765
Network operations	364,212	321,543
Depreciation	2,653,388	2,251,384
Bond interest and fees	1,917,898	2,374,095
Total Expenditures	5,099,749	5,098,565
Change in net position	2,318,982	131,347
Total net position, beginning of year	(1,731,423)	(1,862,770)
Total net position, end of year	$ 587,559	$ (1,731,423)

Capital Assets and Debt Administration

UIA's capital assets, net of depreciation, were $40.1 million. Types of assets include outside plant (fiber and conduit), inside plant (electronics), customer premise equipment, construction in progress and a capitalized lease (IRU).

As of June 30, 2015, UIA's outstanding debt amounted to $48.0 million. This is comprised of the revenue bonds and the capitalized IRU note payable.

Table 3 - Summary of UIA's Capital Assets at June 30, 2015:

	2015	2014
Construction in progress	$ 13,230	$ 2,852,028
Outside plant	19,368,386	15,999,463
Inside plant	1,543,887	1,277,082
Customer premise equipment	4,030,631	3,579,588
Intangible right	15,186,213	15,650,432
	$ 40,142,347	$ 39,358,593

Table 4 - Summary of UIA's Debt at June 30, 2015:

	2015	2014
Revenue bonds payable	$ 38,914,335	$ 39,918,939
Capital leases	5,763,170	8,195,602
Notes payable	3,352,210	2,248,467
	$ 48,029,715	$ 50,363,008

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, 2175 S. Redwood Road, West Valley City, Utah, 84119.

BASIC FINANCIAL STATEMENTS

UTAH INFRASTRUCTURE AGENCY
STATEMENT OF NET POSITION
June 30, 2015

Assets		
Current Assets:		
Cash	$	2,168,755
Trade receivables, net		468,801
Inventory		658,843
Notes receivable		180,946
Restricted cash equivalents		2,298,904
Total Current Assets		5,776,249
Noncurrent assets:		
Notes receivable		3,402,970
Capital Assets:		
Construction in progress		13,230
Property and equipment, net:		
Fiber optic network		40,129,117
Total Noncurrent Assets		43,545,317
Total Assets	$	49,321,566
Liabilities		
Current Liabilities:		
Accounts payable	$	238,511
Accrued liabilities		63,184
Interest payable from restricted assets		402,597
Capital leases payable		595,117
Revenue bonds payable		1,005,000
Total Current Liabilities		2,304,409
Noncurrent Liabilities:		
Capital leases payable		5,168,053
Note payable		3,352,210
Revenue bonds payable		37,909,335
Total Liabilities		48,734,007
Net Position:		
Net Investment in capital assets		3,384,664
Restricted for:		
Debt service		1,635,981
Unspent bond proceeds		260,326
Unrestricted		(4,693,412)
Total Net Position		587,559
Total Liabilities and Net Position	$	49,321,566

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, 2015

Operating Revenues:	
Access fees	$ 4,872,660
Installations	472,018
Reconnections	982,663
Total Operating Revenues	6,327,341
Operating Expenses:	
Marketing	86,013
Professional services	78,238
Network	364,212
Depreciation	2,653,388
Total Operating Expenses	3,181,851
Operating Income	3,145,490
Nonoperating Revenues (Expenses):	
Interest income	291,526
Installation related capital contributions	799,864
Bond interest and fees	(1,917,898)
Total Nonoperating Revenues (Expenses)	(826,508)
Change In Net Position	2,318,982
Total Net Position, Beginning of Year	(1,731,423)
Total Net Position, End of Year	$ 587,559

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

UTAH INFRASTRUCTURE AGENCY
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2015

Cash Flows From Operating Activities:		
Cash received from customers and users	$	5,966,824
Payments to suppliers		(2,327,101)
Net cash provided by operating activities		3,639,723
Cash Flows From Capital and Related Financing Activities:		
Purchase of capital assets		(2,569,050)
Proceeds from installations		863,231
Bond interest and fees		(2,003,909)
Principal paid on bonds		(980,000)
Principal paid on capital leases payable		(2,432,432)
Net cash used by capital and related financing activities		(7,122,160)
Cash Flows From Non-Capital Financing Activities:		
Proceeds from notes payable addition		1,088,394
Net cash provided by non-capital financing activites		1,088,394
Cash Flows From Investing Activity:		
Interest income		291,526
Net cash provided by investing activity		291,526
Net Increase in Cash and Cash Equivalents		(2,102,517)
Cash and Cash Equivalents, Beginning of Year		6,570,176
Cash and Cash Equivalents, End of Year	$	4,467,659
Reconciliation of operating loss to net cash from operating activities:		
Operating income	$	3,145,490
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense		2,653,388
(Increase) decrease in assets related to operations		
Trade receivables, net		(141,167)
Inventory		(2,186,125)
Note receivable related to operating revenues		80,650
Increase (decrease) in liabilities related to operations		
Accounts payable		453,939
Accrued liabilities		(66,452)
Deferred Revenue		(300,000)
Net Cash Provided by Operating Activities	$	3,639,723

Supplemental Information

Noncash Investing, Capital, and Financing Activities:

Additions to capital assets includes inventory of $1,824,087.
Additions to capital assets include change to discount on lease of $245,366.
Additions to capital assets includes capitalized interest of $70,840.

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

UTAH INFRASTRUCTURE AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

Utah Infrastructure Agency (UIA), a separate legal entity and political subdivision of the State of Utah, was formed on July 29, 2010, by an Interlocal Cooperative Agreement pursuant to the provisions of the Utah Interlocal Cooperation Act. UIA's Interlocal Cooperative Agreement has a term of five years, and is renewable every year thereafter. UIA consisted of 9 member cities (8 pledging and 1 non-pledging) at June 30, 2015. UIA's purpose is to design, finance, build, operate, and maintain an open, wholesale, public telecommunication infrastructure that has the capacity to deliver high-speed connections to every home and business in the member communities.

The following is a summary of the more significant policies.

The Reporting Entity

In evaluating how to define UIA for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether UIA is able to exercise oversight responsibilities. UIA does not have any component units, nor is it a component unit of any primary government.

Financial Statement Presentation and Basis of Accounting

UIA prepares its financial statements on an enterprise fund basis, using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private businesses, where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Restricted Assets

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

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost, which includes capitalization of interest costs incurred during construction. Normal maintenance and repair expenses that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed asset. The net book value of property sold or otherwise disposed of is removed from the property and accumulated depreciation accounts and the resulting gain or loss is included as nonoperating revenues or expenses. Depreciation of property and equipment was computed using the straight-line method over the following estimated useful lives:

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

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

Cash and Cash Equivalents

UIA considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For purposes of the statement of cash flows, cash and cash equivalents are defined as the cash accounts and the restricted cash equivalent accounts. Investments, in the form of accounts invested with the Utah Public Treasurer's Investment Fund (the State Treasurer's Pool) of UIA are stated at cost, which approximates fair value.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is UIA's best estimate of the amount of probable credit losses in the existing accounts receivable. UIA has reserved $116,661 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 $0.

NOTE 2 CASH AND INVESTMENTS

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

Utah State law requires that UIA's funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for UIA and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2015, UIA had the following deposits and investments, stated at carrying amount, which approximates fair value:

Deposit and investment type		Fair Value
Cash on deposit	$	2,168,755
Investments in Utah Public Treasurer Investment Funds		2,298,904
	$	4,467,659

Cash on Deposit:
Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, UIA's deposits may not be returned to it. As of June 30, 2015, $1,922,922 of the $2,242,922 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized. UIA has no policy to manage this type of risk.

Investment in Utah Public Treasurer's Investment Funds (UPTIF):
Interest rate risk. The risk that changes in the interest rate will have an adverse affect on the fair value of an investment. UIA's investments in UPTIF are not subject to interest rate risk.

Credit risk. This is the risk that an issuer or other counter party to an investment will not fulfill its obligations. As of June 30, 2015 the UPTIF in which UIA has investments were unrated.

Concentration of credit risk. This is the risk of loss attributable to the magnitude of UIA's investment in a single issuer. UIA's investment in UPTIF is not subject to a concentration of credit risk.

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

NOTE 3 PROPERTY AND EQUIPMENT

The following summarizes UIA's property and equipment as of June 30, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 2,852,028	$ 1,375,539	$ (4,214,337)	$ 13,230
Total capital assets, not being depreciated	2,852,028	1,375,539	(4,214,337)	13,230
Capital assets, being depreciated:				
Outside plant	17,442,786	4,275,663	-	21,718,449
Inside plant	2,103,851	977,871	-	3,081,722
Customer premise equipment	4,235,802	777,038	-	5,012,840
Intangible right	17,739,614	245,366	-	17,984,980
Total capital assets, being depreciated	41,522,053	6,275,938	-	47,797,991
Less accumulated depreciation:				
Outside plant	(1,443,321)	(906,742)	-	(2,350,063)
Inside plant	(826,769)	(711,066)	-	(1,537,835)
Customer premise equipment	(656,214)	(325,995)	-	(982,209)
Intangible right	(2,089,182)	(709,585)	-	(2,798,767)
Total accumulated depreciation	(5,015,486)	(2,653,388)	-	(7,668,874)
Total capital asset, net of accumulated depreciation	36,506,567	3,622,550	-	40,129,117
Property and Equipment, net	$ 39,358,595	$ 4,998,089	$ (4,214,337)	$ 40,142,347

Depreciation expense of $2,653,388 was charged to operating expense for the year ended June 30, 2015.

NOTE 4 LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended June 30, 2015.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds					
Series 2011A	$ 21,095,000	$ -	$ -	$ 21,095,000	$ -
Series 2011B	7,055,000	-	(710,000)	6,345,000	730,000
Original Issue Premium	279,443	-	(12,750)	266,693	-
Series 2013	11,205,000	-	(270,000)	10,935,000	275,000
Original Issue Premium	284,496	-	(11,854)	272,642	-
Total Revenue Bonds	39,918,939	-	(1,004,604)	38,914,335	1,005,000
Capital Leases					
UTOPIA IRU	8,195,602	-	(2,432,432)	5,763,170	595,117
Total Capital Leases	8,195,602	-	(2,432,432)	5,763,170	595,117
Notes Payable					
Pledging Members	2,208,405	1,043,107	-	3,251,512	-
Tremonton Note	40,062	60,636	-	100,698	-
Total Notes Payable	2,248,467	1,103,743	-	3,352,210	-
Total Long-Term Debt	$ 50,363,008	$ 1,103,743	$ (3,437,036)	$ 48,029,715	$ 1,600,117

Revenue Bonds

Tax-exempt Telecommunications and Franchise Revenue Bonds, Series 2011A, original issue of $21,095,000, principal payments due in annual installments beginning October 2022, interest payments due semi-annually at 5.0% to 5.4%, with the final payment due October 2036. The bonds were issued to finance UIA's infrastructure construction and acquisition of the UTOPIA Indefeasible Right of Use.	$ 21,095,000
Taxable Telecommunications and Franchise Revenue Bonds, Series 2011B original issue of $8,405,000, principal payments due in annual installments beginning October 2012, interest payments due semi-annually at 3.2% to 5.45%, with the final payment due October 2022 The bonds were issued to finance UIA's infrastructure construction and acquisition of the UTOPIA Indefeasible Right of Use.	6,345,000
Telecommunications and Franchise Tax Revenue Bonds, Series 2013 original issue of $11,205,000, principal payments due in annual installments beginning October 2014, interest payments due semi-annually at 2.0% to 5.25%, with the final payment due October 2038 The bonds were issued to finance UIA's infrastructure construction.	10,935,000
Total Revenue Bonds	38,375,000
Less current portion	(1,005,000)
Noncurrent portion	$ 37,370,000

NOTE 4 LONG-TERM DEBT (Continued)

The following summarizes UIA's revenue bonds debt service requirements as of June 30, 2015:

Year	Principal	Interest	Total
2016	$ 1,005,000	$ 1,897,837	$ 2,902,837
2017	1,040,000	1,865,677	2,905,677
2018	1,070,000	1,828,622	2,898,622
2019	1,110,000	1,783,090	2,893,090
2020	1,165,000	1,731,133	2,896,133
2021-2025	6,700,000	7,739,102	14,439,102
2026-2030	8,500,000	7,409,444	15,909,444
2031-2035	11,070,000	7,063,550	18,133,550
2036-2039	6,715,000	6,696,425	13,411,425
	$ 38,375,000	$ 38,014,880	$ 76,389,880

Capital Lease

Capital leases consist of the following:

UIA is obligated under a lease for the use of a fiber optic network from Utah Telecommunications Open Infrastructure Agency (UTOPIA). Because the terms and options contained in the lease have effectively created a financing arrangement, UIA is required to record this transaction as a capital lease. Terms of the lease were renogtiatied in December 2013. Lease payments of $54,583 are paid monthly beginning December 2013 including imputed interest at 1.09%. The capitalized cost of fiber optic network is $17,984,980, with accumulated depreciation of $2,798,767.	$ 5,763,170
Total Capital Lease	5,763,170
Less current portion	(595,117)
Noncurrent portion	$ 5,168,053

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

2016	$ 655,000
2017	655,000
2018	655,000
2019	655,000
2020	655,000
2021-2025	3,275,000
2026-2028	(488,498)
Total minimum lease payments	6,061,502
Less discount, representing imputed interest	(298,332)
Present value of net minimum lease payments	$ 5,763,170

NOTE 5 INTERLOCAL COOPERATIVE AGREEMENT

UIA has entered into an Interlocal Cooperative Agreement with Utah Telecommunication Open Infrastructure Agency (UTOPIA), wherein UIA will pay UTOPIA for network configuration, operation, and maintenance fees. The amount of the fees is determined based on the number of connections, subscribers, and services performed. The term of the amended agreement is for five years starting July 2010 and can be renewed for successive one year periods after the initial five year term. UIA recorded expenditures to UTOPIA of $364,212 for the year ended June 30, 2015.

NOTE 6 PLEDGING MEMBERS LIABILITY AND COMMITTMENTS

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

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

The Second Amended and Restated Interlocal Cooperative Agreement of UIA provides that the UIA Board of Directors may establish Working Capital Assessments to the Member Cities, the payment of which is subject to the appropriations authority of the governing bodies of the Member Cities. UIA has utilized this mechanism to pay certain operating expenses in order to avoid a shortfall under the Communications Services Contracts between UIA and the Member Cities. Under a shortfall scenario, UIA would be obligated to notify the Member Cities of their respective obligations to utilize Energy Sales and Use Taxes to replenish the shortfall. Provided enough cities pay their Working Capital Assessments, no shortfall exists and therefore, no obligation from Energy Sales and Use Taxes. The paid assessments, along with cumulative accrued interest of $20,824 for a total of $3,251,512, have been recorded as notes payable to the Cities. The amounts assessed and paid by City for the year ended June 30, 2015 are as follows:

NOTE 6 PLEDGING MEMBERS LIABILITY AND COMMITMENTS (Continued)

City	2015 OpEx Assessments Paid	Cumulative Paid
Brigham City	$ 17,412	$ 34,824
Centerville City	62,508	221,373
Layton City	194,211	583,487
Lindon City	-	118,155
Midvale City	113,886	307,486
Murray City	141,666	141,666
Orem City	111,681	806,421
West Valley City	386,769	1,017,276
	$ 1,028,133	$ 3,230,688

NOTE 7 SUBSEQUENT EVENTS

On October 28, 2015, UIA issued Telecommunications and Franchise Tax Revenue Bonds Series 2015 for $24,295,000. The bonds were issued to fund continued expansion of the fiber optic network. Interest is payable semi-annually beginning April 2016. Principal payments are due annually beginning October 2016.