



Financial Statements  
June 30, 2023

**Utah Communications Authority**  
A Component Unit of the State of Utah

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## Independent Auditor's Report

To the Executive Committee, Audit Committee and Executive Director  
Utah Communications Authority  
Salt Lake City, Utah

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the business-type activities of Utah Communications Authority (a component unit of the State of Utah) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Utah Communications Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective net position of the business-type activities of Utah Communications Authority, as of June 30, 2023, and the respective changes in net 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 Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Utah Communications Authority 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 opinion.

#### *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 Utah Communications Authority'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 opinion. 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 Utah Communications Authority'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 Utah Communications Authority'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 management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of changes in the total OPEB liability and related ratios and notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 February 1, 2024, on our consideration of Utah Communications Authority'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 solely 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 the effectiveness of Utah Communications Authority's 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 Utah Communications Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eric Sully LLP".

Salt Lake City, Utah  
February 1, 2024

As management of Utah Communications Authority (UCA), we offer readers of UCA's financial statements this narrative discussion, overview and analysis of the financial activities of UCA for the fiscal year ending June 30, 2023. This discussion is intended to enhance the understanding of the accompanying financial statements, footnotes and supplementary information.

### Financial Highlights

The Utah Communications Authority (UCA) is an independent state agency that is responsible for the following operations:

- Operation of the 800 and 150 MHz radio networks, the supporting infrastructures and maintenance operations.
- Statewide Interoperability which serves to enhance and promote inter-operable and emergency communications at the state, regional, local, and tribal levels.
- Management of the 911 Program, which includes oversight vision for Next Generation 911 and promulgating minimum standards and best practices.
- FIRSTNET Coordination, within the State of Utah, to establish a nationwide, high-speed, wireless broadband network dedicated to public safety use.
- Upgrade the aging legacy Public Safety Radio System to provide radio communication to all local public safety agencies and all executive departments within the State of Utah. This project is expected to last several years.

During the year ended June 30, 2023, UCA recognized grant revenue of \$25,000,000 from State of Utah, partially funded through a federal grant program – the American Rescue Plan Act's Coronavirus State and Local Fiscal Recovery Fund – to purchase public safety radios to be granted to local government entities. As of June 30, 2023, \$11,194,514 of this revenue remains unexpended and is restricted for further purchase of public safety radios.

On May 5, 2022, the UCA Board passed a Reserve Policy for funds held in the Utah Public Treasurers' Investment Funds. The UCA reserve fund may be utilized in the event of an emergency in which a significant part of the Agency system is damaged or destroyed and would not be covered through Risk Management Insurance. It may also be utilized in the event of an unanticipated budgetary shortfall that is outside of management control, for future upgrades or replacement of UCA, and for any other unanticipated expenses. As of June 30, 2023 and 2022, the balance in this fund was \$14,983,457 and 14,429,456, respectively.

UCA manages the State of Utah's (the State) 911 programs. See Note 12 for more information. At June 30, 2023, the combined cash and investment balances for these programs held in the Utah Public Treasurers' Investment Fund are as follows:

|   |              |
|---|--------------|
| ○ Unified Statewide 911 Emergency Service Account | \$26,781,733 |
| ○ Computer Aided Dispatch Restricted Account      | \$686,894    |

House Bill 198, passed in the 2017 Utah State Legislative Session, establishes UCA as an independent state agency and amends provisions as follows:

- Modifies the composition of the UCA's Board and their terms;
- Creates regional advisory committees that report to the UCA Board;
- Creates an operations advisory committee;
- Repeals certain provisions that gives UCA bonding authority;
- Develop a comprehensive plan for upgrading the public safety communications network;
- Appropriates funds to acquire, construct, operate, maintain and repair the statewide radio system public safety communications network;
- Imposes certain fees on each access line within the State, wherein UCA will no longer charge radio service fees to state and local government public safety communications network users.

UCA is responsible to upgrade the Public Safety Radio System (P25). See Note 12 for more information. At June 30, 2023, the investment balance for this project held in the Utah Public Treasurer's Investment Fund is \$12,535,489.

## Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to UCA's basic financial statements. UCA's basic financial statements is comprised of two components: 1) financial statements, and 2) notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements themselves.

## Financial Statements

The financial statements are designed to provide readers with a broad overview of UCA's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on UCA's assets, deferred outflows, liabilities and deferred inflows at the end of the fiscal year, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of UCA is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the net position of UCA changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected services fees and earned but unused vacation leave).

The *Statement of Cash Flows* presents information showing how the cash of UCA changed during the most recent fiscal year because of cash flows.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes are part of the basic financial statements.

**Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of UCA, assets and deferred outflows exceeded liabilities and deferred inflows by \$155,096,755 at the close of the most recent fiscal year.

|                                  | 2023           | 2022           |
|----------------------------------|----------------|----------------|
| Current Assets and Other Assets  | \$ 91,631,074  | \$ 76,110,651  |
| Capital Assets                   | 77,600,232     | 60,454,766     |
| Total Assets                     | 169,231,306    | 136,565,417    |
| Deferred Outflows                | 953,440        | 807,826        |
| Current Liabilities              | 4,394,723      | 5,381,664      |
| Long-Term Liabilities            | 8,895,186      | 6,430,601      |
| Total Liabilities                | 13,289,909     | 11,812,265     |
| Deferred Inflows                 | 1,798,082      | 4,126,622      |
| Net Position                     |                |                |
| Net Investment in Capital Assets | 69,652,699     | 53,858,914     |
| Restricted                       | 56,502,982     | 41,636,753     |
| Unrestricted                     | 28,941,074     | 25,938,689     |
| Total Net Position               | \$ 155,096,755 | \$ 121,434,356 |

The largest portion of UCA's net position (44.9%) reflects its investment in capital assets (e.g., buildings and towers, radio infrastructure, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. UCA uses these assets to provide radio services to public agencies and state and federal agencies; consequently, these assets are not available for future spending. Although UCA's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

18.7% of UCA’s net position represents unrestricted assets. For purposes of this report, the use of “restricted” or “unrestricted” relates not to the legislative designations as to the funding types, but rather whether the funds are statutorily indicated for a specific purpose. The UCA Board has designated that the operating reserves of \$14,983,457 be utilized in the event of an emergency in which a significant part of the Agency system is damaged or destroyed and would not be covered through Risk Management Insurance. It may also be utilized in the event of an unanticipated budgetary shortfall that is outside of management control, for future upgrades or replacement of the Utah Communications Agency Network system, and for any other unanticipated expenses.

36.4% of UCA's net position represents restricted assets. Restricted assets are to be used for the State’s 911 programs and upgrading of the public radio system.

At the end of the current fiscal year, UCA is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

The key elements of the increase in UCA's net position for the years ended June 30, 2023 and 2022, are as follows:

|                        | 2023           | 2022           | Increase /<br>(Decrease) |
|------------------------|----------------|----------------|--------------------------|
| Operating Revenues     | \$ 38,056,027  | \$ 33,036,104  | \$ 5,019,923             |
| Operating Expenses     | 32,605,622     | 14,610,891     | 17,994,731               |
| Operating Income       | 5,450,405      | 18,425,213     | (12,974,808)             |
| Other Revenue, Net     | 28,211,994     | 599,387        | 27,612,607               |
| Change in Net Position | 33,662,399     | 19,024,600     | 14,637,799               |
| Beginning Net Position | 121,434,356    | 102,409,756    | 19,024,600               |
| Ending Net Position    | \$ 155,096,755 | \$ 121,434,356 | \$ 33,662,399            |

Total net position increased \$33,662,399 over the prior fiscal year. The increase in operating revenue mainly stems from funding to support the infrastructure and maintenance of the 800 and 150 MHz radio networks, funding to upgrade the Public Safety Radio system (P25), and other operating revenue charged to replace radio equipment. Nonoperating revenue increased due to a large grant for new radio equipment. The new radio equipment and also additional payroll expenses are the main cause for the increase in operating expenses.

**UCA Activities**

Total revenues for the years ending June 30, 2023 and 2022, are as follows:

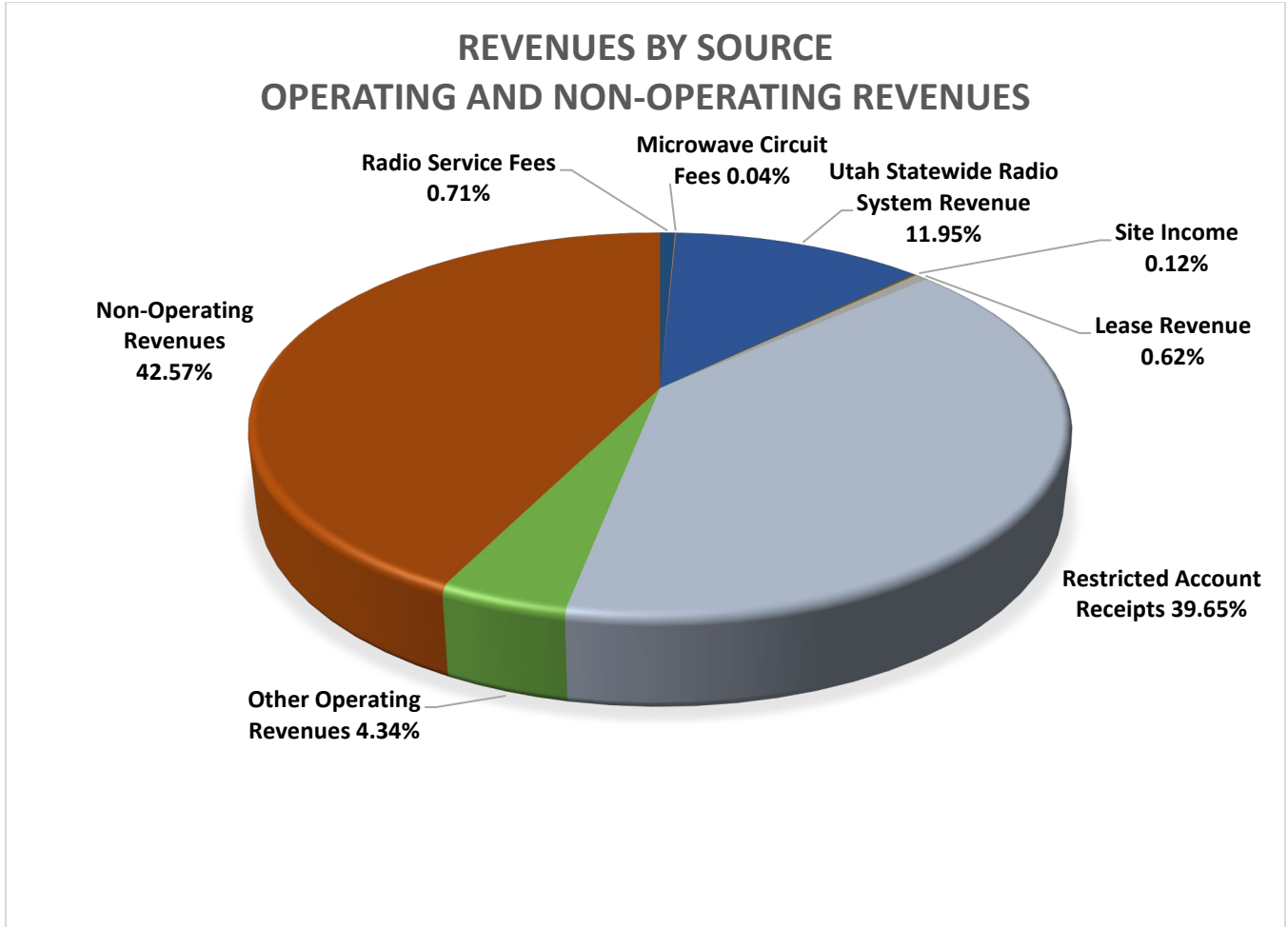
|                                     | 2023          | 2022          | Increase /<br>(Decrease) |
|-------------------------------------|---------------|---------------|--------------------------|
| Operating Revenues                  |               |               |                          |
| Microwave Circuit Fees              | \$ 26,322     | \$ 72,167     | \$ (45,845)              |
| Radio Services Fees                 | 469,920       | 446,464       | 23,456                   |
| Utah Statewide Radio System Revenue | 7,920,776     | 7,627,437     | 293,339                  |
| Site Income                         | 80,893        | 325,219       | (244,326)                |
| Lease Revenue                       | 408,421       | 980,570       | (572,149)                |
| Restricted Account Receipts         | 26,274,218    | 23,584,247    | 2,689,971                |
| Other                               | 2,875,477     | -             | 2,875,477                |
| Total Operating Revenues            | 38,056,027    | 33,036,104    | 5,019,923                |
| Non-Operating Revenues (Expenses)   |               |               |                          |
| Grants                              | 25,000,000    | 405,000       | 24,595,000               |
| Interest Income                     | 3,122,479     | 349,054       | 2,773,425                |
| Gain (Loss) on Disposal of Assets   | 89,515        | (154,667)     | 244,182                  |
| Total Non-Operating Revenues        | 28,211,994    | 599,387       | 27,612,607               |
|                                     | \$ 66,268,021 | \$ 33,635,491 | \$ 32,632,530            |

Total operating revenues increased \$5,019,923, mainly from additional funding to maintain the public safety communications network and other operating revenue charged to replace radio equipment.

As part of managing the State's 911 programs, UCA received \$10,703,770 from State and Federal sources and spent \$7,332,682.

The project to upgrade the Public Safety Radio System is in the third year. During the fiscal year ended June 30, 2023, UCA received \$25,000,000 from the State and spent \$16,910,501.

Non-operating revenues increased \$27,612,607 due to a grant for radio upgrades and due to increased interest rates.



Total operating expenses for the years ending June 30, 2023 and 2022, are as follows:

|  | <u>2023</u>          | <u>2022</u>          | <u>Increase /<br/>(Decrease)</u> |
|--|----------------------|----------------------|----------------------------------|
| Operating Expenses                     |                      |                      |                                  |
| Administrative Costs                   | \$ 255,759           | \$ 268,898           | \$ (13,139)                      |
| Depreciation and Amortization Expense  | 2,290,905            | 2,208,036            | 82,869                           |
| Insurance                              | 172,280              | 166,141              | 6,139                            |
| Interest Expense                       | 74,122               | 66,845               | 7,277                            |
| Radio Network Maintenance and Rent     | 1,057,647            | 981,638              | 76,009                           |
| Payroll Expenses                       | 4,761,958            | 3,788,427            | 973,531                          |
| Professional Fees                      | 240,744              | 303,777              | (63,033)                         |
| Radio Network Expansion                | 19,173               | 63,952               | (44,779)                         |
| Radio Network Upgrade                  | 16,910,501           | 407,727              | 16,502,774                       |
| 911 Network Maintenance                | 5,089,366            | 4,803,130            | 286,236                          |
| Non-Network Utilities                  | -                    | 12,597               | (12,597)                         |
| Restricted account grant disbursements | 1,733,167            | 1,539,723            | 193,444                          |
|  | <u>\$ 32,605,622</u> | <u>\$ 14,610,891</u> | <u>\$ 17,994,731</u>             |

Amortization and interest expense relate to leasing arrangements.

Radio Network Upgrade expenses relate to purchasing parts and supplies to upgrade and maintain over 119 existing sites to prepare them for the Public Safety Radio System project (P25). For the year ended June 30, 2023, these expenses are being disbursed from additional grant revenues.

A majority of the 911 Network Maintenance expenses consist of a Next Generation 911 (NG911) service contract with Vesta Solutions, Inc.

Restricted account grant disbursements relate to distributions to qualifying Public Safety Answering Points (PSAPs), a 911 Call Center. Effective May 12, 2020, Utah PSAPs can apply for proportionate funds by meeting certain requirements. A PSAP director or other authorized administrator certifying the PSAP's compliance for the last fiscal year, must apply to UCA no later than July 31 of each year. (See Utah Code Section 63H-7a-304.5 (2)(a) for more information.)

### Financial Analysis of Individual Funds

UCA is an independent state agency, reported as a component unit of the State of Utah, operating as a separate proprietary entity. Therefore, UCA does not have individual funds. The financial analysis for UCA can be found in the discussion above.

**Capital Asset and Debt Administration**

Capital assets at June 30, 2023, are \$77,600,232 (net of depreciation and amortization). Capital assets include construction-in-progress, buildings and towers, land, leasehold and building improvements, operating equipment (microwaves, antennas, solar, controllers, consoles and radio systems infrastructure), office equipment, software, vehicles and right-to-use leased assets. Depreciation and amortization expense for the fiscal years ended June 30, 2023 and 2022 was \$2,290,905 and \$2,208,036, respectively.

Of the capital assets, 74% is included in construction-in-progress which includes construction of new tower sites, P25 upgrade contract payments, P25 capital backhaul upgrades, P25 site routers, P25 solar site upgrades, etc.

UCA's Capital Assets  
(Net of Depreciation and Amortization)

| <u>Description</u>              | <u>2023</u>          | <u>2022</u>          |
|---------------------------------|----------------------|----------------------|
| Construction-In-Progress        | \$ 57,408,940        | \$ 42,101,395        |
| Office Equipment                | 107,078              | 156,302              |
| Leasehold/Building Improvements | 167,024              | 75,970               |
| Land                            | 16,571               | 16,571               |
| Buildings/Towers                | 6,703,437            | 6,541,971            |
| Operating Equipment             | 4,223,247            | 3,807,161            |
| Software                        | 104,980              | 102,359              |
| Vehicles                        | 1,012,430            | 1,097,430            |
| Right to Use Leased Assets      | 7,856,525            | 6,555,607            |
| Total Capital Assets            | <u>\$ 77,600,232</u> | <u>\$ 60,454,766</u> |

Additional information on UCA's capital assets can be found in Note 3 of the financial statements.

**Lease Liabilities**

Lease liabilities include leases for communications equipment, towers and the related land, and technology equipment/applications. The lease liabilities as of June 30, 2023 and 2022, were \$7,947,533 and \$6,595,852, respectively. Additional information on UCA's leases can be found in Note 5 of the financial statements.

### **Economic Outlook**

Utah Communications Authority continues with the ongoing effort to increase operational efficiencies and effectiveness. New sites were constructed and completed during fiscal year 2023 and new projects are ongoing. Projects include the completion of new sites which began construction in fiscal years 2023 and 2024. These projects are new sites for expanding coverage. Projects include purchasing equipment for the sites, including microwave connectivity, routers, generators, power supplies, antennas, etc. The P25 project is in the final phase and the estimated final cutover phase is expected to begin August 1, 2024.

### **Request for Information**

This financial report is designed to provide a general overview of UCA's finances for all those with an interest in UCA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Tyson Montoya, Chief Financial Officer  
(385) 478-6449  
Utah Communications Agency Network  
5215 Wiley Post Way, #550  
Salt Lake City, UT, 84116

Utah Communications Authority  
A Component Unit of the State of Utah  
Statement of Net Position  
June 30, 2023

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Assets

Current Assets

|                                      |                   |
|--------------------------------------|-------------------|
| Cash                                 | \$ 5,179,677      |
| Accounts receivable                  | 6,001,123         |
| Current portion of lease receivables | 398,763           |
| Current portion of prepaid expenses  | 45,614            |
| Investments                          | <u>78,272,464</u> |

|                      |                   |
|----------------------|-------------------|
| Total current assets | <u>89,897,641</u> |
|----------------------|-------------------|

|   |           |
|---|-----------|
| Lease Receivables, Less Current Portion | 1,348,722 |
| Prepaid Expenses, Less Current Portion  | 384,711   |

Capital Assets

|   |                  |
|---|------------------|
| Depreciable assets, net                                     | 12,318,196       |
| Land  | 16,571           |
| Construction in progress                                    | 57,408,940       |
| Right-to-use leased assets, net of accumulated amortization | <u>7,856,525</u> |

|                      |                   |
|----------------------|-------------------|
| Total capital assets | <u>77,600,232</u> |
|----------------------|-------------------|

|                         |                   |
|-------------------------|-------------------|
| Total noncurrent assets | <u>79,333,665</u> |
|-------------------------|-------------------|

|              |             |
|--------------|-------------|
| Total assets | 169,231,306 |
|--------------|-------------|

Deferred Outflow of Resources

|                  |                |
|------------------|----------------|
| Pension outflows | <u>953,440</u> |
|------------------|----------------|

|                                     |                |
|-------------------------------------|----------------|
| Total deferred outflow of resources | <u>953,440</u> |
|-------------------------------------|----------------|

|  |                              |
|--|------------------------------|
|  | <u><u>\$ 170,184,746</u></u> |
|--|------------------------------|

Utah Communications Authority  
A Component Unit of the State of Utah  
Statement of Net Position  
June 30, 2023

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Liabilities

Current Liabilities

|   |                  |
|---|------------------|
| Accounts payable                        | \$ 3,271,871     |
| Accrued liabilities                     | 160,587          |
| Accrued interest                        | 11,738           |
| Unearned revenue                        | 4,697            |
| Current portion of compensated absences | 90,457           |
| Current portion of lease liabilities    | 855,373          |
|   | <u>4,394,723</u> |
| Total current liabilities               | <u>4,394,723</u> |

Long-Term Liabilities

|  |                  |
|--|------------------|
| Compensated absences, less current portion | 226,545          |
| Lease liabilities, less current portion    | 7,092,160        |
| Post-employment benefits payable           | 111,745          |
| Net pension liability                      | 1,464,736        |
|  | <u>8,895,186</u> |
| Total long-term liabilities                | <u>8,895,186</u> |

Total liabilities

13,289,909

Deferred Inflow of Resources

|                                    |                  |
|------------------------------------|------------------|
| Pension inflows                    | 91,797           |
| Lease inflows                      | 1,706,285        |
|                                    | <u>1,798,082</u> |
| Total deferred inflow of resources | <u>1,798,082</u> |

Net Position

|                                  |                    |
|----------------------------------|--------------------|
| Net investment in capital assets | 69,652,699         |
| Restricted                       | 56,502,982         |
| Unrestricted                     | 28,941,074         |
|                                  | <u>155,096,755</u> |

Total net position

155,096,755

\$ 170,184,746

Utah Communications Authority  
A Component Unit of the State of Utah  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2023

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|   |                |
|---|----------------|
| Operating Revenues                            |                |
| Microwave circuit fees                        | \$ 26,322      |
| Radio services fees                           | 469,920        |
| Utah Statewide Radio System Revenue           | 7,920,776      |
| Site income                                   | 80,893         |
| Lease revenue                                 | 408,421        |
| Restricted State 911 and P25 program revenues | 26,274,218     |
| Other   | 2,875,477      |
| Total operating revenues                      | 38,056,027     |
| Operating Expenses                            |                |
| Administrative costs                          | 255,759        |
| Depreciation and amortization expense         | 2,290,905      |
| Insurance                                     | 172,280        |
| Interest expense                              | 74,122         |
| Radio network maintenance and rent            | 1,057,647      |
| Payroll expense                               | 4,761,958      |
| Professional fees                             | 240,744        |
| Radio network expansion                       | 19,173         |
| Radio network upgrade                         | 16,910,501     |
| 911 network maintenance                       | 5,089,366      |
| Restricted account grant disbursements        | 1,733,167      |
| Total operating expenses                      | 32,605,622     |
| Operating Income                              | 5,450,405      |
| Non-Operating Revenues (Expenses)             |                |
| Grants  | 25,000,000     |
| Interest income                               | 3,122,479      |
| Gain on sale of capital assets                | 89,515         |
| Total non-operating revenues                  | 28,211,994     |
| Change in Net Position                        | 33,662,399     |
| Net Position, Beginning of Year               | 121,434,356    |
| Net Position, End of Year                     | \$ 155,096,755 |

Utah Communications Authority  
A Component Unit of the State of Utah  
Statement of Cash Flows  
Year Ended June 30, 2023

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|   |               |
|---|---------------|
| Operating Activities                                      |               |
| Cash received from customers and other operating receipts | \$ 2,814,336  |
| Cash received from State 911 and P25 programs             | 26,183,763    |
| Cash received for radio service fees                      | 469,920       |
| Cash received for Utah Statewide Radio System             | 8,015,346     |
| Cash received on lease receivables                        | 355,864       |
| Cash paid to suppliers                                    | (27,518,791)  |
| Cash paid to employees                                    | (4,802,166)   |
| Net Cash from Operating Activities                        | 5,518,272     |
| Capital and Related Financing Activities                  |               |
| Cash paid for capital assets                              | (17,219,365)  |
| Proceeds from sale of capital assets                      | 71,833        |
| Cash paid for lease liabilities                           | (847,643)     |
| Cash received from grants                                 | 25,000,000    |
| Net Cash from Capital and Related Financing Activities    | 7,004,825     |
| Investing Activities                                      |               |
| Cash received from investment income                      | 3,103,954     |
| Cash received for interest on lease receivables           | 18,525        |
| Cash received from sale of investments                    | 90,086,773    |
| Cash paid for investments                                 | (103,409,943) |
| Net Cash used for Investing Activities                    | (10,200,691)  |
| Net Change in Cash  | 2,322,406     |
| Cash, Beginning of Year                                   | 2,857,271     |
| Cash, End of Year   | \$ 5,179,677  |

Utah Communications Authority  
A Component Unit of the State of Utah  
Statement of Cash Flows  
Year Ended June 30, 2023

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|  |                     |
|--|---------------------|
| Reconciliation of Operating Income to Net Cash from Operating Activities           |                     |
| Operating income   | \$ 5,450,405        |
| Adjustments to reconcile operating income<br>to net cash from operating activities |                     |
| Depreciation and amortization  | 2,290,905           |
| Net pension liability/asset  | (215,019)           |
| Amortization of deferred inflow related to leases                                  | (370,984)           |
| Changes in operating assets and liabilities  |                     |
| Accounts receivable  | (565,472)           |
| Lease receivables  | 355,864             |
| Prepaid expenses   | (88,654)            |
| Accounts payable   | (1,191,525)         |
| Accrued liabilities  | 6,113               |
| Accrued interest   | 771                 |
| Unearned revenue   | (7,190)             |
| Compensated absences   | (46,321)            |
| Post-employment benefits payable   | (100,621)           |
| Net Cash from Operating Activities   | <u>\$ 5,518,272</u> |
| Supplemental Disclosure of Cash Flow Information                                   |                     |
| Cash payments for interest   | \$ 73,351           |
| Supplemental Disclosure of Non-Cash Activities                                     |                     |
| Lease liabilities for the acquisition of right to use leased assets                | 2,199,324           |

## **Note 1 - Summary of Significant Accounting Policies**

This summary of significant accounting policies of Utah Communications Authority (UCA) is presented to assist in understanding UCA's financial statements. The financial statements, notes, and required supplementary information are representations of UCA's management, who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following summary of significant accounting policies is presented to assist the reader in evaluating the UCA's financial statements.

### **Operations**

UCA was established by the Utah State Legislature in 1997 as an independent state agency, with the fiscal year ending June 30, 1999, its first year of operation. In addition, it consolidated UCA with the Utah 911 Committee, the Statewide Communications and Interoperability Committee, and the radio services within the Utah Department of Technology Services (DTS). As a result of this legislation, UCA became a component unit of the State of Utah (the State) and is included in the State's *Annual Comprehensive Financial Report*.

UCA's responsibilities are:

- Operation of the 800 and 150 MHz radio networks, the supporting infrastructures and maintenance operations.
- Statewide Interoperability which serves to enhance and promote inter-operable and emergency communications at the State, regional, local and tribal levels.
- Management of the 911 Program, which includes overseeing Vision for Next Generation 911 and promulgating minimum standards and best practices.
- FIRSTNET Coordination, within the State of Utah, to establish a nationwide, high speed, wireless broadband network dedicated to public safety use.
- Upgrade the aging legacy Public Safety Radio System to provide radio communication to all local public safety agencies and all executive departments within the state of Utah.

UCA's governing board (the Board) is made of nine board members consisting of the following:

- Three individuals appointed by the governor with the advice and consent of the Senate;
- One individual appointed by the speaker of the House of Representatives;
- One individual appointed by the president of the Senate;
- Two individuals nominated by an association that represents cities and towns in the state and appointed by the governor with the advice and consent of the Senate; and
- Two individuals nominated by an association that represents counties in the state and appointed by the governor with the advice and consent of the Senate.

### **Budgetary Policy**

UCA uses the same accounting method for preparing the budget as is used for financial reporting. Annual budgets are prepared in accordance with state law. The Board is presented a tentative budget in the spring of each fiscal year for the following fiscal year which the Board must approve by the beginning of the following fiscal year. The Board must review and approve the proposed budget in a public meeting. A final budget must be adopted by the Board no later than the last day of the fiscal year.

Budgets may be changed by an approved motion of the Board at any time during the fiscal year at a regular meeting or special meeting called for that purpose.

### **Reporting Entity**

UCA is a component unit of the State and, as such, has been included in the State's *Annual Comprehensive Financial Report*. UCA is governed by the State of Utah.

### **Fund Accounting**

The accounts of UCA are organized into a single enterprise fund. The enterprise fund is used to account for operations financed and operated in a manner similar to private business enterprises where (a) the intent of the governing body is that the costs (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (b) the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability, or other purposes.

### **Measurement Focus**

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds (which include enterprise funds) are accounted for on an economic resources measurement focus and the accrual basis of accounting. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on the statement of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

In instances in which both restricted and unrestricted sources of revenues are earned for a similar purpose, the restricted revenues are applied toward expenses first.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

UCA follows the requirements of the State of Utah Money Management Act (the Act) (Utah Code, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of UCA funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government, and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the State of Utah Money Management Council.

The Act defines the types of securities authorized as appropriate investments for UCA's funds 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 UCA 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; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions 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 Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by Utah Code, Title 51, Chapter 7 (the Act). 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, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

### **Fair Value Measurements**

UCA has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

### **Accounts Receivable**

Accounts receivable due from customers are customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. UCA does not charge interest on overdue customer account balances. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

UCA estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. UCA's accounts receivable are all current and collectible; as such, UCA currently makes no allowance for bad debt.

### **Lease Receivables**

Lease receivables are recorded by UCA as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate UCA charges the lessee.

### **Prepaid Expenses**

Prepaid expenses mainly consist of prepaid lease on space used by UCA and prepaid site leases. In addition, there are a small number of expenses that are prepaid at year end.

### **Unearned Revenue**

Unearned revenue consists of prepaid radio service fees and prepaid appropriations from the State. Most of the prepaid radio service fees are a result of trades made with other agencies that provided UCA with equipment in exchange for prepaid radio service fees.

### **Compensated Absences**

Employees' vacation leave is accrued at a rate between four and seven hours every two weeks for the first five years of employment and grows to a rate of seven hours every two weeks after twenty years of employment. There is no requirement to use vacation leave, but a maximum of 320 hours may be carried forward at the beginning of each calendar year.

Employees earn sick leave at a rate of four hours for each two-week period, with no limit to the amount that can be accumulated. In addition, prior to January 1, 2014, an employee who had accrued 144 hours of unused sick leave was eligible to convert up to 64 hours to "converted sick" leave in a given year which may be treated as additional vacation or sick leave. Sick leave is expensed when used, and UCA does not reimburse employees for unused sick leave or converted sick leave upon termination, except employees eligible for retirement as follows:

- For sick leave and converted sick leave earned prior to July 1, 2010, UCA offered a post-employment benefit to employees upon retirement. See Note 8 for further information on post-employment benefits.
- For sick leave and converted sick leave earned after June 30, 2010, and before July 1, 2014, UCA will contribute 25% of the value of employee's accrued unused leave balance into an approved 401(k) account upon an employee's retirement. The remainder of the unused sick leave and converted sick leave will be deposited into a medical reimbursement account, established by the Utah Retirement Office, at the employee's current rate of pay. The employee may then use this account to purchase health care at their own discretion.
- For sick leave earned after June 30, 2014, there is no payout of leave upon termination or retirement.

A liability for compensated absences has been recorded, and funds have been set aside in a separate account with the PTIF.

**Capital Assets**

Capital additions, improvements and major renewals are classified as property, plant and equipment and are recorded at cost. UCA capitalizes all fixed asset purchases with costs in excess of \$5,000. Major maintenance projects in excess of \$5,000 are examined to determine whether they should be capitalized or expensed. Depreciation is recorded by use of the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

|                             | Estimated Useful<br>Life (Years) |
|-----------------------------|----------------------------------|
| Buildings/Towers            | 20                               |
| Microwaves                  | 20                               |
| Solar Equipment             | 20                               |
| Radio System Infrastructure | 7 to 15                          |
| Controllers                 | 7                                |
| Console Equipment           | 15                               |
| Antennas/Power Supplies     | 10                               |
| Radio System Controllers    | 7                                |
| Vehicles                    | 5 to 20                          |
| Software                    | 5                                |
| Office Equipment            | 5                                |

Maintenance, repairs and minor renewals are charged to operations as incurred. When an asset is disposed, accumulated depreciation is deducted from the original cost, and any gain or loss arising from the disposal is credited or charged to non-operating revenues or expenses. Leasehold improvements are depreciated over the remaining life of the asset being leased. Construction-in-progress is not depreciated until the asset is complete and placed in service.

Right-to-use leased assets are recognized at the lease commencement date and represent UCA’s right to use an underlying asset or information technology for the term of the lease or the subscription-based information technology arrangement. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 50 years.

**Lease Liabilities**

Lease liabilities represent UCA’s obligation to make lease payments arising from the lease or the subscription-based technology arrangement. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by either the implied interest rate or the incremental borrowing rate as determined by UCA.

## **Pensions**

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions and pension expenses, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS), and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **Deferred Outflow and Inflows of Resources**

Deferred outflows of resources related to pensions on the statement of net position represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. They will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Deferred inflow of resources related to pensions on the statement of net position represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows related to leases is where UCA is the lessor and is reported in the statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on the straight-line basis over the term of the lease.

## **Revenue Recognition**

UCA recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the fee for the arrangement is fixed or determinable and collectability is reasonably assured.

Operating revenues is income that is related to providing public safety communications services within the State. These revenues are used to support the functions and operations of UCA:

- Microwave Circuit Fees – UCA provides network connectivity to various state, federal and local government entities throughout the State.
- Radio Services Fees – UCA provides radio services for the 800 MHz and 150 MHz (VHF conventional) systems. These fees are for services such as radio programming, providing radio service for federal or private public safety radio users, and/or for maintaining radio or other tower site equipment for third parties.
- Site Income and Lease Revenue – UCA leases space on the towers and in the buildings of its sites to state, local and federal governmental entities, as well as private telephone carriers that have a public safety charter.

- Non-operating revenue is income that is not related to providing UCA services. This includes investment and interest related income, gains and disposals of assets and federal grants.

### **Restricted Net Position**

UCA has situations where net position must be classified as restricted. UCA has funds that are to be used for new system consoles, sites and towers in addition to completing the P25 project which is the replacement, upgrade, and expansion of all phases of the public safety communication network in the State of Utah.

### **Implementation of GASB Statement No. 96**

As of July 1, 2022, UCA adopted GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. The implementation of this standard establishes that a subscription-based information technology arrangement (SBITA) results in a right-to-use subscription asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The adoption of this standard did not materially impact UCA’s financial statements.

### **Subsequent Events**

UCA has evaluated subsequent events through February 1, 2024, the date which the financial statements were available to be issued.

## **Note 2 - Deposits and Investments**

Deposits and investments for UCA are governed by Section 63C-7-305 of the Utah Code which requires that the Utah State Treasurer invest all moneys held on deposit by or on behalf of UCA. Investments for UCA are governed by Utah State Code Annotated in Title 51, Chapter 7 – State Money Management Act (the Act) and by the rules of the Money Management Council (the Council). Following are discussions of risks related to its cash management activities.

### **Custodial Credit Risk**

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, UCA will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. UCA’s policy for managing custodial credit risk is to adhere to the Act. The Act requires all deposits of UCA to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council.

As of June 30, 2023, \$4,814,804 of UCA’s \$5,314,804 bank balance was uninsured and uncollateralized.

### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of UCA's investment in a single issuer. UCA's policy for reducing this risk of loss is to comply with the rules of the Council. Rule 17 of the Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. UCA's investments are diversified in such a manner that no individual investment represents more than 5% of UCA's total investments at June 30, 2023.

As of June 30, 2023, UCA had \$78,272,464 invested directly with the PTIF. These investments were valued by applying the June 30, 2023 fair value factor, as calculated by the Utah State Treasurer, to UCA's average daily balance in the PTIF Fund. Such valuation is considered a *Level 2* valuation for GASB Statement No. 72 purposes. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. UCA's policy for reducing its exposure to credit risk is to comply with the Act, as previously discussed.

UCA is authorized to invest in the PTIF, an external pooled investment fund managed by the Utah State Treasurer subject to the Act and the Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State. The PTIF operates and reports to participants on an amortized basis. The income, gains, and losses, net of administrative fees, of the PTIF are allocated based upon the participant's average daily balances.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. UCA manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Act. The Act requires that the remaining term to maturity of the investment may not exceed the period of availability of the funds to be invested.

**Note 3 - Capital Assets**

A summary of activity in capital assets for the year ended June 30, 2023, is as follows:

|   | Beginning<br>Balance | Additions            | Deletions        | Transfers          | Ending<br>Balance    |
|---|----------------------|----------------------|------------------|--------------------|----------------------|
| <b>Capital Assets Not Being Depreciated</b> |                      |                      |                  |                    |                      |
| Land  | \$ 16,571            | \$ -                 | \$ -             | \$ -               | \$ 16,571            |
| Construction-in-progress                    | 42,101,395           | 16,981,960           | -                | (1,674,415)        | 57,408,940           |
|   | <u>42,117,966</u>    | <u>16,981,960</u>    | <u>-</u>         | <u>(1,674,415)</u> | <u>57,425,511</u>    |
| <b>Depreciable Assets</b>                   |                      |                      |                  |                    |                      |
| Office equipment                            | 493,914              | -                    | (350)            | -                  | 493,564              |
| Leasehold/building improvements             | 272,539              | -                    | -                | 111,191            | 383,730              |
| Buildings/towers                            | 13,892,012           | -                    | -                | 632,121            | 14,524,133           |
| Operating equipment                         | 51,379,777           | -                    | -                | 931,679            | 52,311,456           |
| Software                                    | 463,922              | 31,049               | -                | -                  | 494,971              |
| Vehicles                                    | 2,335,328            | 205,780              | (235,808)        | -                  | 2,305,300            |
|   | <u>68,837,492</u>    | <u>236,829</u>       | <u>(236,158)</u> | <u>1,674,991</u>   | <u>70,513,154</u>    |
| <b>Less Accumulated Depreciation</b>        |                      |                      |                  |                    |                      |
| Office equipment                            | (337,612)            | (49,224)             | 350              | -                  | (386,486)            |
| Leasehold/building improvements             | (196,569)            | (20,137)             | -                | -                  | (216,706)            |
| Buildings/towers                            | (7,350,041)          | (470,655)            | -                | -                  | (7,820,696)          |
| Operating equipment                         | (47,572,616)         | (568,079)            | 52,486           | -                  | (48,088,209)         |
| Software                                    | (361,563)            | (28,428)             | -                | -                  | (389,991)            |
| Vehicles                                    | (1,237,898)          | (255,976)            | 201,004          | -                  | (1,292,870)          |
|   | <u>(57,056,299)</u>  | <u>(1,392,499)</u>   | <u>253,840</u>   | <u>-</u>           | <u>(58,194,958)</u>  |
| <b>Total Accumulated Depreciation</b>       |                      |                      |                  |                    |                      |
|   | <u>(57,056,299)</u>  | <u>(1,392,499)</u>   | <u>253,840</u>   | <u>-</u>           | <u>(58,194,958)</u>  |
| <b>Total Capital Assets</b>                 |                      |                      |                  |                    |                      |
| Being Depreciated, Net                      | <u>11,781,193</u>    | <u>(1,155,670)</u>   | <u>17,682</u>    | <u>1,674,991</u>   | <u>12,318,196</u>    |
|   | <u>\$ 53,899,159</u> | <u>\$ 15,826,290</u> | <u>\$ 17,682</u> | <u>\$ 576</u>      | <u>\$ 69,743,707</u> |

A summary of right-to-use leased assets for the year ended June 30, 2023, is as follow:

|   | Balance<br>July 1, 2022 | Additions           | Deletions   | Balance<br>June 30, 2023 |
|---|-------------------------|---------------------|-------------|--------------------------|
| <b>Right-to-use Leased Assets Being Amortized</b>   |                         |                     |             |                          |
| Right-to-use leased buildings/towers                | \$ 4,408,412            | \$ 1,134,360        | \$ -        | \$ 5,542,772             |
| Right to use leased land                            | 1,584,075               | 83,767              | -           | 1,667,842                |
| Right-to-use leased circuits                        | 879,493                 | 528,473             | -           | 1,407,966                |
| Right-to-use leased equipment                       | 249,136                 | 383,318             | -           | 632,454                  |
| Right-to-use leased software                        | 150,867                 | 69,406              | -           | 220,273                  |
| Total right-to-use leased assets<br>being amortized | <u>7,271,983</u>        | <u>2,199,324</u>    | <u>-</u>    | <u>9,471,307</u>         |
| <b>Less Accumulated Amortization for</b>            |                         |                     |             |                          |
| Right-to-use leased buildings/towers                | (438,437)               | (448,129)           | -           | (886,566)                |
| Right-to-use leased land                            | (119,088)               | (125,259)           | -           | (244,347)                |
| Right-to-use leased circuits                        | (76,718)                | (149,143)           | -           | (225,861)                |
| Right-to-use leased equipment                       | (40,186)                | (117,208)           | -           | (157,394)                |
| Right-to-use leased software                        | (41,947)                | (58,667)            | -           | (100,614)                |
| Total accumulated amortization                      | <u>(716,376)</u>        | <u>(898,406)</u>    | <u>-</u>    | <u>(1,614,782)</u>       |
| Net right-to-use leased assets                      | <u>\$ 6,555,607</u>     | <u>\$ 1,300,918</u> | <u>\$ -</u> | <u>\$ 7,856,525</u>      |

#### **Note 4 - Leases**

##### **Lessee Activities**

UCA has entered into multiple leases for various sites that house the equipment needed for the UCA systems network under various short and long-term leases. The leases expire at various dates through June 30, 2053. Lease liabilities are recognized for long-term leases with terms greater than 12 months. The lease liabilities were valued using a risk-free discount rates at the inception of the leases, which range from 1% to 4%.

Total lease expense for short-term leases for the year ended June 30, 2023, was \$110,875. See Note 5 for future lease payments.

##### **Lessor Activities**

UCA also leases to various entities through short and long-term leases for use on the UCA systems network. The leases expire at various dates through September 30, 2039.

Total lease income on short-term leases not recognized as assets for the year ended June 30, 2023, was \$80,893. The remaining receivable for these leases were \$1,747,485 as of June 30, 2023. Deferred inflows related to these leases were \$1,706,285 as of June 30, 2023. Interest revenue recognized on these leases was \$18,525 for the year ended June 30, 2023. Principal receipts of \$355,864 were recognized during the fiscal year.

Future lease receipts are as follows:

| <u>Years Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>  |
|------------------------------|---------------------|------------------|
| 2024                         | \$ 398,763          | \$ 15,322        |
| 2025                         | 397,456             | 11,325           |
| 2026                         | 218,237             | 8,118            |
| 2027                         | 159,641             | 6,465            |
| 2028                         | 160,829             | 4,867            |
| 2029-2033                    | 236,162             | 12,915           |
| 2034-2038                    | 167,202             | 4,704            |
| 2039-2040                    | 9,195               | 8                |
|                              | <u>\$ 1,747,485</u> | <u>\$ 63,724</u> |

**Note 5 - Long-Term Liabilities**

Changes in long-term liabilities during the year ended June 30, 2023 are as follows:

|                                  | <u>Balance<br/>July 1, 2022</u> | <u>Additions</u>    | <u>Deletions</u>    | <u>Balance<br/>June 30, 2023</u> | <u>Due Within<br/>One Year</u> |
|----------------------------------|---------------------------------|---------------------|---------------------|----------------------------------|--------------------------------|
| Compensated Absences             | \$ 363,323                      | \$ -                | \$ (46,321)         | \$ 317,002                       | \$ 90,457                      |
| Lease Liabilities                | 6,595,852                       | 2,199,324           | (847,643)           | 7,947,533                        | 855,373                        |
| Post-Employment Benefits Payable | 212,366                         | -                   | (100,621)           | 111,745                          | -                              |
|                                  | <u>\$ 7,171,541</u>             | <u>\$ 2,199,324</u> | <u>\$ (994,585)</u> | <u>\$ 8,376,280</u>              | <u>\$ 945,830</u>              |

Remaining principal and interest payments on leases are as follows:

| Years Ending June 30, | Principal           | Interest          |
|-----------------------|---------------------|-------------------|
| 2024                  | \$ 855,373          | \$ 75,022         |
| 2025                  | 800,298             | 66,517            |
| 2026                  | 699,520             | 59,093            |
| 2027                  | 611,084             | 52,624            |
| 2028                  | 621,140             | 46,580            |
| 2029-2033             | 1,946,572           | 162,911           |
| 2034-2038             | 1,366,552           | 83,283            |
| 2039-2043             | 748,562             | 29,320            |
| 2044-2048             | 272,450             | 6,640             |
| 2049-2053             | 25,982              | 601               |
|                       | <u>\$ 7,947,533</u> | <u>\$ 582,591</u> |

**Note 6 - Related Party Transactions**

UCA receives appropriations from the State of Utah Legislature, including House Bills 2 and 3 of the 2022 Utah Legislative session. These appropriations resulted in revenues of \$16,085,530, including interest, during the year ended June 30, 2023, restricted for the P25 System Upgrade. UCA spent \$16,762,811 during the year ended June 30, 2023, in relation to this purpose leaving the remaining amount of \$16,547,511, which includes the prior year ending balance of \$17,224,792, as restricted as of June 30, 2023. The accounts receivable balance at June 30, 2023, related to this P25 appropriation was \$2,030,658. For the local Public Safety Communications Centers (PSAPs), the appropriations resulted in revenues of \$11,681,678 of restricted receipts, including interest, during the year ended June 30, 2023. The State requires that the money be spent on contracting for services and purchasing software and equipment for local PSAPs and administration costs of the program. UCA spent \$7,332,682 during the year ended June 30, 2023, in relation to this purpose leaving the remaining amount of \$28,760,957, which includes the prior year ending balance of \$24,411,961, as restricted as of June 30, 2023. The accounts receivable balance related to the PSAPs appropriations at June 30, 2023 was \$1,980,786. See also Note 12 for restricted accounts. For general operations, the appropriations resulted in revenues of \$7,920,776 during the year ended June 30, 2023. This money is to be used for general operations. The accounts receivable balance at June 30, 2023, related to this was \$1,252,859.

During the year ended June 30, 2023, UCA received an additional appropriation passed through the State of Utah from a federal grant program and also from a State appropriation, which resulted in grant revenue of \$25,000,000, restricted for radio equipment upgrades.

## Note 7 - Pension Plans

### Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following Pension Trust Funds:

#### Defined Benefit Plan

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

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

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

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

**Benefits Provided**

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

**Summary of Benefits by System**

| System                         | Final Average Salary | Years of Service Required and/or Age Eligible for Benefit                                       | Benefit Percent per Year of Service | COLA**     |
|--------------------------------|----------------------|---|-------------------------------------|------------|
| Noncontributory System         | Highest 3 years      | 30 years any age<br>25 years any age*<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 2.0% per year all years             | Up to 4%   |
| Tier 2 Public Employees System | Highest 5 years      | 35 years any age<br>20 years age 60*<br>10 years age 62*<br>4 years age 65                      | 1.5% per year all years             | Up to 2.5% |

\* Actuarial reductions are applied.

\*\* All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**Contributions Rate Summary**

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

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

|                                     | Employee Paid | Employer Contribution Rates | Employer Rate for 401(k) Plan |
|-------------------------------------|---------------|-----------------------------|-------------------------------|
| Contributory System                 |               |                             |                               |
| 112 - State and School Div - Tier 2 | N/A           | 19.84%                      | 0.18%                         |
| Noncontributory System              |               |                             |                               |
| 16 - State and School Div - Tier 1  | N/A           | 22.19%                      | 1.50%                         |
| Tier 2 DC Only                      |               |                             |                               |
| 212 - State and School              | N/A           | 10.02%                      | 10.00%                        |

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2023, the employer and employee contributions to the Systems were as follows:

| System                         | Employer<br>Contributions | Employee<br>Contributions |
|--------------------------------|---------------------------|---------------------------|
| Noncontributory System         | \$ 348,158                | N/A                       |
| Tier 2 Public Employees System | 232,338                   | -                         |
| Tier 2 DC Only System          | 59,258                    | N/A                       |
| <b>Total Contributions</b>     | <b>\$ 639,754</b>         | <b>\$ -</b>               |

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

### Combined Pension Assets, Liabilities, Expense, and Deferred Outflows and Inflows of Resources Relating to Pensions

At June 30, 2023, UCA reported a net pension liability of \$1,464,736 and a net pension asset of \$0.

|                                | (Measurement Date) December 31, 2022 |                          |                        | Proportionate<br>Share<br>December 31, 2021 | Change      |
|--------------------------------|--------------------------------------|--------------------------|------------------------|---|-------------|
|                                | Net Pension<br>Asset                 | Net Pension<br>Liability | Proportionate<br>Share |   |             |
| Noncontributory System         | \$ -                                 | \$ 1,414,533             | 0.0655096%             | 0.0746119%                                  | -0.0091023% |
| Tier 2 Public Employees System | -                                    | \$ 50,203                | 0.0461047%             | 0.0492778%                                  | -0.0031731% |
|                                | <u>\$ -</u>                          | <u>\$ 1,464,736</u>      |                        |   |             |

The net pension asset and liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2023, UCA recognized pension expense of \$424,322.

At June 30, 2023, UCA reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience   | \$ 263,189                           | \$ 1,992                            |
| Change in assumptions  | 97,238                               | 128                                 |
| Net difference between projected and actual earnings on pension plan investments                     | 263,328                              | -                                   |
| Changes in proportion and differences between contributions and proportionate share of contributions | 20,380                               | 89,677                              |
| Contributions subsequent to the measurement date   | 309,305                              | -                                   |
| <b>Total</b>   | <u>\$ 953,440</u>                    | <u>\$ 91,797</u>                    |

\$309,305 reported as deferred outflows of resources related to pensions results from contributions made by UCA prior to the fiscal year end, but subsequent to the measurement date of December 31, 2022.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending December 31, | Deferred Outflows<br>(Inflows) of Resources |
|---------------------------|---|
| 2023                      | \$ (16,917)                                 |
| 2024                      | 13,243                                      |
| 2025                      | 111,650                                     |
| 2026                      | 420,398                                     |
| 2027                      | 4,681                                       |
| Thereafter                | 19,283                                      |

**Noncontributory System Pension Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2023, UCA recognized pension expense of \$327,820.

At June 30, 2023, UCA reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience   | \$ 246,232                           | \$ -                                |
| Change in assumptions  | 80,940                               | -                                   |
| Net difference between projected and actual earnings on pension plan investments                     | 243,088                              | -                                   |
| Changes in proportion and differences between contributions and proportionate share of contributions | 6,682                                | 86,487                              |
| Contributions subsequent to the measurement date   | 166,036                              | -                                   |
| Total  | \$ 742,978                           | \$ 86,487                           |

\$166,036 reported as deferred outflows of resources related to pensions results from contributions made by UCA prior to the fiscal year end but subsequent to the measurement date of December 31, 2022.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending December 31, | Deferred Outflows<br>(Inflows) of Resources |
|---------------------------|---|
| 2023                      | \$ (20,055)                                 |
| 2024                      | 6,917                                       |
| 2025                      | 101,748                                     |
| 2026                      | 401,845                                     |
| 2027                      | -   |
| Thereafter                | -   |

**Tier 2 Public Employees System Pension Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2023, UCA recognized pension expense of \$96,502.

At June 30, 2023, UCA reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience   | \$ 16,957                            | \$ 1,992                            |
| Change in assumptions  | 16,298                               | 128                                 |
| Net difference between projected and actual earnings on pension plan investments                     | 20,240                               | -                                   |
| Changes in proportion and differences between contributions and proportionate share of contributions | 13,697                               | 3,190                               |
| Contributions subsequent to the measurement date   | 143,270                              | -                                   |
| Total  | \$ 210,462                           | \$ 5,310                            |

\$143,270 reported as deferred outflows of resources related to pensions results from contributions made by UCA prior to the fiscal year end, but subsequent to the measurement date of December 31, 2022.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending December 31, | Deferred Outflows<br>(Inflows) of Resources |
|---------------------------|---|
| 2023                      | \$ 3,138                                    |
| 2024                      | 6,327                                       |
| 2025                      | 9,901                                       |
| 2026                      | 18,553                                      |
| 2027                      | 4,681                                       |
| Thereafter                | 19,282                                      |

### Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |  |
|---------------------------|--|--|
| Inflation                 | 2.50%  |  |
| Salary increases          | 3.25 – 9.25%, average, including inflation                         |  |
| Investment rate of return | 6.85%, net of pension plan investment expense, including inflation |  |

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

|                                    | Expected Return Arithmetic Basis |                              |  |
|------------------------------------|----------------------------------|------------------------------|--|
| Asset Class                        | Target Asset Allocation          | Real Return Arithmetic Basis | Long-Term Expected Portfolio Real Rate of Return |
| Equity securities                  | 35.00%                           | 6.58%                        | 2.30%  |
| Debt securities                    | 20.00%                           | 1.08%                        | 0.22%  |
| Real assets                        | 18.00%                           | 5.72%                        | 1.03%  |
| Private equity                     | 12.00%                           | 9.80%                        | 1.18%  |
| Absolute return                    | 15.00%                           | 2.91%                        | 0.44%  |
| Cash and cash equivalents          | 0.00%                            | -0.11%                       | 0.00%  |
| Totals                             | 100.00%                          |                              | 5.17%  |
| Inflation                          |                                  |                              | 2.50%  |
| Expected arithmetic nominal return |                                  |                              | 7.67%  |

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

#### Discount Rate

The discount rate used to measure the total pension liability was 6.85%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate.

#### Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability (asset) calculated using the discount rate of 6.85%, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.85%) or one percentage point higher (7.85%) than the current rate:

| System                         | 1% Decrease<br>(5.85%) | Discount Rate<br>(6.85%) | 1% Increase<br>(7.85%) |
|--------------------------------|------------------------|--------------------------|------------------------|
| Noncontributory System         | \$ 3,535,480           | \$ 1,414,533             | \$ (360,224)           |
| Tier 2 Public Employees System | 219,360                | 50,203                   | (80,111)               |
| Total                          | \$ 3,754,840           | \$ 1,464,736             | \$ (440,335)           |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued URS financial report.

**Defined Contribution Savings Plans**

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

UCA participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan
- Roth IRA Plan

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

|                        | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|------------------------|-------------|-------------|-------------|
| <b>401(k) Plan</b>     |             |             |             |
| Employer Contributions | \$ 132,814  | \$ 122,710  | \$ 78,231   |
| Employee Contributions | 88,165      | 105,592     | 105,193     |
| <b>457 Plan</b>        |             |             |             |
| Employer Contributions | -           | -           | -           |
| Employee Contributions | 2,149       | 11,220      | 16,562      |
| <b>Roth IRA Plan</b>   |             |             |             |
| Employer Contributions | N/A         | N/A         | N/A         |
| Employee Contributions | 10,305      | 6,355       | 7,280       |

**Note 8 - Post-Employment Benefits Payable**

**Plan Description**

UCA offers and administers a single employer defined Post-Employment Benefits Plan (the Plan), as set forth in the Policies and Procedures of UCA. The Plan provides health and life insurance to eligible UCA employees and their spouses upon retirement, through the Public Employees Healthcare Plan, which covers both active and retired members. The Plan does not issue a publicly available financial report.

Upon retirement, eligible UCA employees may receive 25% of the value of their unused accumulated sick leave and converted sick leave earned prior to July 1, 2010, as a contribution to an approved 401(k) account. After the 25% payout, the employee may use the remaining accumulated sick leave and converted sick leave to purchase health and life insurance at the rate of eight hours sick leave for one month's premium or until the employee reaches the age 65. At age 65, the hourly utilization rate changes to sixteen hours sick leave for one month's premium. The employee participation rate on premium payments shall be the same as the participation rate for current employees at the time the benefit is paid out.

With the consolidation of state programs into UCA on July 1, 2014, 16 employees transferred from the State to UCA. As part of the Memorandum of Understanding (MOU) between the State and UCA, the State retained the liability for these employees' eligible leave balances that were earned prior to the transfer, and the related post-employment benefits, upon retirement.

**Funding Policy**

UCA's Plan is funded on a pay-as-you-go basis, and the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation (asset) for the fiscal year ended June 30 is as follows:

| <u>Fiscal Year</u> | <u>Annual<br/>OPEB Cost</u> | <u>Percentage<br/>of Annual<br/>OPEB Cost</u> | <u>Net OPEB<br/>Obligation</u> |
|--------------------|-----------------------------|---|--------------------------------|
| 2023               | \$ 16                       | 0%  | \$ 111,745                     |

**Actuarial Assumptions**

The projection of future benefit payments for an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the Plan, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the Plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

- Retirement age is assumed at 65 with 4 years of service, 62 with 10 years of service, 60 with 20 years of service, and any age with 30 years of service.
- Marital status of members at the calculation date was assumed to continue throughout retirement.
- Life expectancies were based on the National Vital Statistics Reports, August 8, 2022, U.S. Life Tables, Expectation of Life by Age, Race and Sex.
- The probability of remaining employed until assumed retirement age, by age, from GASB Statement #45 were used as the basis of determining if a member would remain employed until retirement.
- The expected rate of increase in healthcare insurance premiums was based on National Health Care Expenditures Amounts and Average Annual Growth: 2014-2030, from the Office of the Actuary at the Centers for Medicare & Medicaid Services. The initial rate used was 12.4% changing annually with rates ranging from 4.6% to 10.3%.
- Health insurance premiums from 2021-2022 were used as the basis for calculation of the present value of total benefits to be paid.
- Based on historical and expected returns of UCA's investments, a discount rate of 1.05% was used. In addition, a simplified version of the unit credit cost method was used with the unfunded actuarial accrued liability being amortized as a level dollar amount. There was no remaining amortization period as of June 30, 2023.

#### **OPEB Plan – Number of Employees Covered**

There is one active employee and three retired employees that are covered by the Plan.

#### **Changes in Total OPEB Liability and OPEB Expense**

UCA pays to the State of Utah's Other Post-Employment Benefit Trust Fund the established rate based on each employees' gross payroll to fund the growth in liability for these employees. The amount paid for the year ending June 30, 2023, was \$0.

UCA's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). UCA has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of UCA's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in UCA's net OPEB obligation to the Plan:

|  |    |            |
|--|----|------------|
| Annual Required Contribution             | \$ | -          |
| Interest on Net OPEB Obligation          |    | 16         |
| Annual OPEB Cost (Expense)               |    | 16         |
| Adjustments to Health Insurance Premiums |    | (100,637)  |
| Contributions Made                       |    | -          |
| Net Change in Net OPEB Obligation        |    | (100,621)  |
| Net OPEB Obligation - Beginning of Year  |    | 212,366    |
| Net OPEB Obligation - End of Year        |    | \$ 111,745 |

As of June 30, 2023, the actuarial accrued liability for benefits was \$111,745, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$97,169 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 115%.

**Sensitivity of the Total OPEB Liability**

|                             | 1% Decrease<br>4.18% | Discount Rate<br>5.18% | 1% Increase<br>6.18% |
|-----------------------------|----------------------|------------------------|----------------------|
| Discount Rate               | \$ 117,566           | \$ 111,745             | \$ 106,415           |
| Healthcare Cost Trend Rates | 111,745              | 111,745                | 111,745              |

**Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

There are no deferred outflows or deferred inflows of resources at June 30, 2023.

**Note 9 - Contingencies**

UCA records liabilities resulting from claims and legal actions when they become fixed or determinable in amount. Currently, there are no claims or legal actions that would give rise to a significant liability.

### **Note 10 - Risk Management**

UCA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

### **Note 11 - Commitments**

In order to facilitate the consolidation of UCA with the 911 Committee, the Statewide Communications and Interoperability Committee, and the radio services within the DTS, a Memorandum of Understanding (MOU) by and between DTS, Utah Department of Public Safety, Utah Department of Administrative Service, and UCA was executed in May of 2014. This MOU defined the transfer of service responsibilities, equipment, assets, employees, benefits and property from these state offices to UCA, effective July 1, 2014.

The on-going commitments between UCA and the State due to this MOU are as follows:

- The MOU defined the ongoing services between these state entities and UCA after the transition. As part of those services, UCA signed a contract with the DTS in July 2014 to provide ongoing microwave connectivity to DTS in support of their Wide Area Network. The contract, as amended during the year ended June 30, 2023, provides revenue to UCA of approximately \$44,000 per year.

### **Note 12 - Restricted Accounts**

#### **State 911 Restricted Accounts**

Section 63H-7a-204, Title 63G, Chapter 3, Utah Administrative Rulemaking Act gives UCA responsibility for administering the State's 911 programs; The Unified Statewide 911 Emergency Service Account and the Computer Aided Dispatch Restricted Account. The 911 Regional Advisory Committee and 911 Operation Advisory Committee provides input and guidance to UCA concerning these programs.

The State imposes telecommunications charges on telephone lines and pre-paid telephones which use 911 communications services. These fees are collected by the Utah State Tax Commission and are allocated to the 911 accounts held by the State, according to state statute. The funds collected for these programs are restricted for use by the same statute.

UCA manages these programs by contracting for services and purchasing software and equipment for local Public Safety Communications Centers (PSAPs) that benefit the 911 programs on a statewide basis. The State appropriation also covers administration costs, equipment purchased and installed at the PSAPs, and other program related costs.

The 911 ESA and CAD restricted account receipts and disbursements for the year ended June 30, 2023, are as follows:

|  |                             |
|--|-----------------------------|
| 911 ESA and CAD Restricted Account Receipts                            | \$ 10,703,770               |
| 911 ESA and CAD Restricted Interest Income                             | <u>977,908</u>              |
| Total 911 ESA and CAD restricted accounts receipts and interest income | <u>11,681,678</u>           |
|  |                             |
| 911 ESA and CAD Restricted Account Disbursements                       |                             |
| 911 equipment and services   | 6,852,338                   |
| Administration costs   | <u>480,344</u>              |
| Total 911 ESA and CAD restricted account disbursements                 | <u>7,332,682</u>            |
|  |                             |
| Net Change in 911 ESA and CAD Restricted Accounts                      | 4,348,996                   |
|  |                             |
| 911 ESA and CAD Restricted Balance - June 30, 2022                     | <u>24,411,961</u>           |
|  |                             |
| 911 ESA and CAD Restricted Accounts Balance - June 30, 2023            | <u><u>\$ 28,760,957</u></u> |

### **State P25 Restricted Account**

Title 63H Chapter 7a gives UCA responsibility to establish and maintain a regional or statewide public safety governmental communications network related facilities, including real property, improvements, and equipment necessary for the acquisition, construction, and operation of the services and facilities.

The State imposes telecommunications charges on telephone lines and pre-paid telephones which use 911 communications services. These fees are collected by the Utah State Tax Commission and are allocated the P25 account held by the State, according to State statute. The funds collected for these programs are restricted for use by the same statute.

UCA may enter into agreements with public agencies, private entities, the State and Federal government to provide public safety communications network services. UCA may acquire, by gift, grant, purchase, or by exercise of eminent domain, any real property or personal property in connection with the acquisition and construction of a public safety communications network.

The State P25 (P25) restricted account receipts and disbursements for the year ended June 30, 2023, are as follows:

|  |                             |
|--|-----------------------------|
| P25 Account Receipts                                       | \$ 15,570,448               |
| P25 Restricted Interest Income                             | <u>515,082</u>              |
| Total P25 restricted accounts receipts and interest income | <u>16,085,530</u>           |
|  |                             |
| P25 Restricted Account Disbursements                       |                             |
| P25 equipment and services                                 | 242,324                     |
| P25 system upgrade   | 16,095,760                  |
| Administration costs                                       | <u>424,727</u>              |
| Total P25 restricted account disbursements                 | <u>16,762,811</u>           |
| Net Change in P25 Restricted Accounts                      | <u>(677,281)</u>            |
|  |                             |
| P25 Restricted Balance - June 30, 2022                     | <u>17,224,792</u>           |
| P25 Restricted Accounts Balance - June 30, 2023            | <u><u>\$ 16,547,511</u></u> |

#### **Public Safety Radios Restricted Accounts – State General and Federal ARPA**

During the year ended June 30, 2023, UCA received grant revenue of \$25,000,000 from State of Utah, partially funded through a federal grant program – the American Rescue Plan Act’s Coronavirus State and Local Fiscal Recovery Fund – to purchase public safety radios to be granted to local government entities. As of June 30, 2023, \$11,194,514 of this revenue remains unexpended and is restricted for further purchase of public safety radios.



Required Supplementary Information  
June 30, 2023

**Utah Communications Authority**  
A Component Unit of the State of Utah

Utah Communications Authority  
A Component Unit of the State of Utah  
Schedule of the Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2023

| Noncontributory System  | As of Calendar Year Ended December 31, |              |              |              |              |
|---|--|--------------|--------------|--------------|--------------|
|   | 2022                                   | 2021         | 2020         | 2019         | 2018         |
| Proportion of the net pension liability (asset)   | 0.0655096%                             | 0.0746119%   | 0.0737988%   | 0.0756992%   | 0.0757451%   |
| Proportionate share of the net pension liability (asset)  | \$ 1,414,533                           | \$ (509,782) | \$ 983,828   | \$ 1,681,811 | \$ 2,818,109 |
| Covered payroll   | \$ 1,592,041                           | \$ 1,930,759 | \$ 1,992,029 | \$ 2,095,011 | \$ 2,235,330 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 88.85%                                 | -26.40%      | 49.39%       | 80.28%       | 126.07%      |
| Plan fiduciary net position as a percentage of its covered payroll                              | 91.60%                                 | 102.70%      | 94.30%       | 90.10%       | 84.10%       |
| Noncontributory System (Cont.)  | As of Calendar Year Ended December 31, |              |              |              |              |
|   | 2017                                   | 2016         | 2015         | 2014         |              |
| Proportion of the net pension liability (asset)   | 0.0701551%                             | 0.0549806%   | 0.0523286%   | 0.3459490%   |              |
| Proportionate share of the net pension liability (asset)  | \$ 1,715,546                           | \$ 1,781,876 | \$ 1,643,791 | \$ 869,207   |              |
| Covered payroll   | \$ 2,309,312                           | \$ 1,788,129 | \$ 1,753,915 | \$ 1,230,946 |              |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 74.29%                                 | 99.65%       | 93.72%       | 70.61%       |              |
| Plan fiduciary net position as a percentage of its covered payroll                              | 89.20%                                 | 84.90%       | 84.50%       | 87.20%       |              |

GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, UCA will present information for those years for which information is available. In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of December 31 within the fiscal year.

Utah Communications Authority  
A Component Unit of the State of Utah  
Schedule of the Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2023

| Tier 2 Public Employees System  | As of Calendar Year Ended December 31, |             |            |            |            |
|---|--|-------------|------------|------------|------------|
|   | 2022                                   | 2021        | 2020       | 2019       | 2018       |
| Proportion of the net pension liability (asset)   | 0.0461047%                             | 0.0492778%  | 0.0344957% | 0.0234586% | 0.0307039% |
| Proportionate share of the net pension liability (asset)  | \$ 50,203                              | \$ (20,856) | \$ 4,961   | \$ 5,276   | \$ 13,150  |
| Covered payroll   | \$ 1,002,428                           | \$ 915,409  | \$ 550,747 | \$ 325,937 | \$ 359,410 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 5.01%                                  | -2.28%      | 0.90%      | 1.62%      | 3.66%      |
| Plan fiduciary net position as a percentage of its covered payroll                              | 92.30%                                 | 103.80%     | 98.30%     | 96.50%     | 90.80%     |
|   | As of Calendar Year Ended December 31, |             |            |            |            |
| Tier 2 Public Employees System (Cont.)  | 2017                                   | 2016        | 2015       | 2014       |            |
| Proportion of the net pension liability (asset)   | 0.0114273%                             | 0.0141327%  | 0.0134656% | 0.0647840% |            |
| Proportionate share of the net pension liability (asset)  | \$ 1,008                               | \$ 1,576    | \$ (29)    | \$ (196)   |            |
| Covered payroll   | \$ 110,763                             | \$ 115,897  | \$ 87,020  | \$ 32,086  |            |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 0.91%                                  | 1.36%       | -0.03%     | -0.61%     |            |
| Plan fiduciary net position as a percentage of its covered payroll                              | 97.40%                                 | 95.10%      | 100.20%    | 103.50%    |            |

GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, UCA will present information for those years for which information is available. In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of December 31 within the fiscal year.

Utah Communications Authority  
A Component Unit of the State of Utah  
Schedule of Contributions  
Year Ended June 30, 2023

|   | As of Fiscal<br>Year Ended<br>June 30, | Actual<br>Determined<br>Contributions | Contributions in<br>Relation to the<br>Contractually<br>Required<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Covered<br>Payroll | Contributions as<br>a Percentage of<br>Covered<br>Payroll |
|---|--|---------------------------------------|--|--|--------------------|---|
| Noncontributory System                  | 2015                                   | \$ 309,384                            | \$ 309,384   | -                                      | \$ 1,712,023       | 18.07%  |
|   | 2016                                   | 321,656                               | 321,656  | -                                      | 1,744,852          | 18.43%  |
|   | 2017                                   | 401,435                               | 401,435  | -                                      | 2,069,403          | 19.40%  |
|   | 2018                                   | 455,962                               | 455,962  | -                                      | 2,288,256          | 19.93%  |
|   | 2019                                   | 467,815                               | 467,815  | -                                      | 2,190,739          | 21.35%  |
|   | 2020                                   | 434,800                               | 434,800  | -                                      | 2,038,284          | 21.33%  |
|   | 2021                                   | 412,030                               | 412,030  | -                                      | 1,939,309          | 21.25%  |
|   | 2022                                   | 344,301                               | 344,301  | -                                      | 1,704,599          | 20.20%  |
|   | 2023                                   | 348,158                               | 348,158  | -                                      | 1,697,792          | 20.51%  |
| Tier 2 Public Employees System*         | 2015                                   | \$ 12,037                             | \$ 12,037  | -                                      | \$ 65,882          | 18.27%  |
|   | 2016                                   | 23,040                                | 23,040   | -                                      | 126,314            | 18.24%  |
|   | 2017                                   | 8,996                                 | 8,996  | -                                      | 49,321             | 18.24%  |
|   | 2018                                   | 54,100                                | 54,100   | -                                      | 293,385            | 18.44%  |
|   | 2019                                   | 60,342                                | 60,342   | -                                      | 319,778            | 18.87%  |
|   | 2020                                   | 75,398                                | 75,398   | -                                      | 397,042            | 18.99%  |
|   | 2021                                   | 151,718                               | 151,718  | -                                      | 793,087            | 19.13%  |
|   | 2022                                   | 166,899                               | 166,899  | -                                      | 860,307            | 19.40%  |
|   | 2023                                   | 232,338                               | 232,338  | -                                      | 1,171,059          | 19.84%  |
| Tier 2 Public Employees DC Only System* | 2015                                   | \$ 8,550                              | \$ 8,550   | -                                      | \$ 85,079          | 10.05%  |
|   | 2016                                   | 8,927                                 | 8,927  | -                                      | 89,092             | 10.02%  |
|   | 2017                                   | 2,609                                 | 2,609  | -                                      | 26,040             | 10.02%  |
|   | 2018                                   | 6,114                                 | 6,114  | -                                      | 51,915             | 11.78%  |
|   | 2019                                   | 12,799                                | 12,799   | -                                      | 127,731            | 10.02%  |
|   | 2020                                   | 15,753                                | 15,753   | -                                      | 157,219            | 10.02%  |
|   | 2021                                   | 19,913                                | 19,913   | -                                      | 198,733            | 10.02%  |
|   | 2022                                   | 44,883                                | 44,883   | -                                      | 447,933            | 10.02%  |
|   | 2023                                   | 59,258                                | 59,258   | -                                      | 591,399            | 10.02%  |

\*Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, UCA will present information for those years for which information is available. Contributions as a percentage of covered payroll may be different than the board-certified rate due to rounding and other administrative practices.

Utah Communications Authority  
A Component Unit of the State of Utah  
Schedule of Changes in the Total OPEB Liability and Related Ratios  
Year Ended June 30, 2023

|   | 2023              | 2022              | 2021              | 2020              | 2019              | 2018              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB Liability  |                   |                   |                   |                   |                   |                   |
| Interest  | \$ 16             | \$ 93             | \$ 18             | \$ 80             | \$ 241            | \$ 216            |
| Annual required contribution  | -                 | 8,312             | 5,028             | 8,501             | 8,353             | 8,878             |
| Adjustments to health insurance premiums                            | (100,637)         | 101,093           | 47,485            | 38,839            | -                 | -                 |
| Benefit payments (adjustments)                                      | -                 | (39,420)          | (119,353)         | (8,581)           | (8,594)           | (31,074)          |
| Net Change in Total OPEB Liability                                  | (100,621)         | 70,078            | (66,822)          | 38,839            | -                 | (21,980)          |
| Total OPEB Liability - Beginning                                    | 212,366           | 142,288           | 209,110           | 170,271           | 170,271           | 192,251           |
| Total OPEB Liability - Ending                                       | <u>\$ 111,745</u> | <u>\$ 212,366</u> | <u>\$ 142,288</u> | <u>\$ 209,110</u> | <u>\$ 170,271</u> | <u>\$ 170,271</u> |
| Covered Employee Payroll  | \$ 97,168         | \$ 96,799         | \$ 167,805        | \$ 271,527        | \$ 400,379        | \$ 412,197        |
| Total OPEB Liability as a Percentage<br>of Covered Employee Payroll | 115.00%           | 219.39%           | 84.79%            | 77.01%            | 42.53%            | 41.31%            |

There were no changes of the benefit terms during the year ended June 30, 2023. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. UCA used a discount rate of 5.18% during the year ended June 30, 2023 and a discount rate of 1.24% for the year ended June 30, 2022.

In accordance with paragraph 170.a of GASB Statement No. 75, employers will need to disclose a 10-year schedule of changes in the total OPEB liability in their required supplementary information. However, until a full 10-year schedule is compiled, UCA will present information for those years for which information is available.

**Note 1 - Changes in Assumptions**

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

**Note 2 - Post-Employment Benefits Other Than Pensions**

No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75.



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Executive Committee, Audit Committee and Executive Director  
Utah Communications Authority  
A Component Unit of the State of Utah  
Salt Lake City, Utah

We have audited, 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, the financial statements of the business-type activities of Utah Communications Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Utah Communications Authority’s basic financial statements and have issued our report thereon dated February 1, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Utah Communications Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Utah Communications Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of Utah Communications Authority’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Utah Communications Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, professional style.

Salt Lake City, Utah  
February 1, 2024