



OFFICE OF THE
STATE AUDITOR

Case # UTOP22SP

May 31, 2022

Roger Timmerman, UTOPIA Executive Director
5858 South 900 East
Murray, UT 84121

Dear Mr. Timmerman:

The Office of the State Auditor (Office) offers a hotline program through which we receive complaints with financial or compliance implications related to state and local governments. The Office received a complaint alleging certain statements within marketing material produced by UTOPIA (Entity) were false or misleading.

We reviewed the statements in question, performed inquiry with various Entities and other personnel, and reviewed the Entity's Fiscal Year 2021 Financial Statements (FY21 Statements) and have determined the following:

Entity Made Misleading Statements

The Agency circulated a pamphlet¹ that contains statements regarding taxpayer costs:

1. "Fact: No cost to taxpayers since 2009; funded through subscriber revenue."
2. "Every UTOPIA Fiber project since 2009 hasn't cost taxpayers a dime. All bond payments have been covered through subscriber revenue-because of high sign-up rates. That's a \$300 million success! Network growth and construction overages are UTOPIA's responsibility, not the county's."

The first statement is clearly inaccurate. Since 2004, the 11 municipalities (Municipalities) listed below have used taxpayer funds to pay the Entity's revenue bond debt service.² In fiscal year 2021, the Municipalities paid more than \$15 million, as follows:³

Municipalities	Tax Revenue Paid (FY21)
Brigham City	\$504,700
Centerville	\$501,950
Layton	\$2,519,273
Lindon	\$502,304
Midvale	\$913,892

¹ Pamphlet circulated at 2022 Utah Association of Counties conference.

² See FY21 Statements, page 4 and Note 11 "Pledging Members Liability"

³ See FY21 Statements, Note 11 "Pledging Members Liability"

Murray	\$1,855,373
Orem	\$3,289,546
Payson	\$259,920
Perry	\$124,015
Tremonton	\$380,789
West Valley City	\$4,216,895
TOTAL	\$15,068,657

The second statement is subject to two possible interpretations, one of which would make the statement inaccurate. Based on discussions with Entity officials, it appears the Entity meant it has not used taxpayer funds to pay for projects started since 2009.

We recommend UTOPIA:

- **Discard or destroy marketing materials with misleading statements**
- **Ensure future communications more accurately reflect the dependence on taxpayer support**
- **Take steps to remedy the misrepresentations regarding the lack of taxpayer support to any individual or entity which received the inaccurate information.**

Our procedures were limited to matters related to the complaint. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you. We appreciate the courtesy and assistance extended to us by Entity personnel during our review. We look forward to a continuing professional relationship. If you have any questions, please contact Tyson Plastow, MBA, CIA, CRMA, at 801-234-0544.

Sincerely,



Tyson Plastow, MBA, CIA, CRMA
Special Projects Supervisor

cc: Wayne Pyle, UTOPIA Board Chair; Jason Roberts, UTOPIA CFO

The logo for UTOPIA FIBER features the word "UTOPIA" in a large, bold, sans-serif font above the word "FIBER" in a smaller, spaced-out, sans-serif font. The text is centered within a white semi-circular shape that is set against a green background. Above the "UTOPIA" text, there is a stylized graphic of a sun with rays, and below the "FIBER" text, there is a stylized graphic of a fiber optic cable or network structure.

May 31, 2022

Dear Auditor Dougall,

In response to the letter regarding Case #UTOP22SP, we offer the following response to what the State Auditor Office believed to be misleading statements:

1. "Fact: No cost to taxpayers since 2009; funded through subscriber revenue."

We agree that out of context, this statement is inaccurate. While projects that started after 2009 have no cost to taxpayers, the statement by itself implies that pre-2009 projects currently have no cost to taxpayers, which is not accurate. Future use of statements such as this will be revised or provided with proper context to ensure accuracy.

2. "Every UTOPIA Fiber project since 2009 hasn't cost taxpayers a dime. All bond payments have been covered through subscriber revenue-because of high sign-up rates. That's a \$300 million success! Network growth and construction overages are UTOPIA's responsibility, not the county's."

We maintain that this statement is true. However, we acknowledge that the wording could be improved to distinguish between pre-2009 projects having a cost to taxpayers and projects started after 2009 not having a cost to taxpayers.

Auditor Recommendations:

- Discard or destroy marketing materials with misleading statements
- Ensure future communications more accurately reflect the dependence on taxpayer support
- Take steps to remedy the misrepresentations regarding the lack of taxpayer support to any individual or entity which received the inaccurate information.

We agree to complying with the auditor recommendations by discarding materials with the previously used language, and to update all future materials with accurate context and clarification. In addition, we are implementing additional review of marketing materials before publication to ensure that statements accurately describe the use of taxpayer funds related to pre-2009 UTOPIA projects.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger Timmerman", is written over a horizontal line.

Roger Timmerman
Executive Director
UTOPIA Fiber