

UTAH INLAND PORT AUTHORITY

Basic Financial Statements

Year Ended June 30, 2023

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OFFICE OF THE
STATE AUDITOR

Independent Auditor's Report

To the Board of Directors
and
Ben Hart, Executive Director
Utah Inland Port Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund and the budgetary comparison information of the Utah Inland Port Authority (the Authority) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2023, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and the Crossroads PID Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinions.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

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 the 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 the management's discussion and analysis 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 December 20, 2023 on our consideration of the 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 the 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 the Authority's internal control over financial reporting and compliance.



Office of the State Auditor

Salt Lake City, Utah

December 20, 2023

Utah Inland Port Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2023

As management of Utah Inland Port Authority (the Authority), we offer readers of the Authority's financial statements this narrative discussion, overview, and analysis of the financial activities of the Authority for the years ended June 30, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

- The Authority's assets exceeded its liabilities at June 30, 2023 by \$27.190 million (net position).
- The Authority's total net position increased during 2023 by \$4.209 million compared to 2022. In comparing 2023 activities with those in 2022, revenues increased by \$9.326 million, while expenses increased by \$8.773 million.
- Construction in process in 2022 was reclassified as Grant Expense, adjusting beginning balances of capital assets and net position for 2023. See Note 2 for more information.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report includes the financial statements for the Authority, including Crossroads Public Infrastructure District (Crossroads PID), a blended component unit. Crossroads PID is a legally separate entity created by the Authority in fiscal year 2022 for the purpose of financing infrastructure costs and providing operation and maintenance of infrastructure for the use and benefit of all inhabitants, businesses, and taxpayers of the District and project area of the Authority.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise government-wide and fund financial statements and related notes to the financial statements.

Government-wide Financial Statements

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

The *statement of net position* presents information on all of the assets and liabilities of the Authority, with the difference being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the Authority 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., property taxes receivable).

The government-wide financial statements can be found starting on page 11 of this report.

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Utah Inland Port Authority
Management’s Discussion and Analysis
For the Year Ended June 30, 2023

Governmental Fund – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating Authority’s near-term financing requirements.

Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and Crossroads PID, a special revenue fund, both of which are considered to be major funds.

The Authority adopts an annual appropriated budget for its general fund and Crossroads PID. A budgetary comparison statement is provided for the general fund and Crossroads PID to demonstrate compliance with this budget.

Reconciliation between Government-wide and Fund Statements

The financial statements include reconciliation schedules that explain the differences between the amounts reported for *governmental activities* on the government-wide statements (full accrual basis of accounting, long-term focus) with amounts reported on the *governmental* fund statements (modified accrual basis of accounting, short-term focus). The following are some of the major differences between the two statements:

- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.
- Capital outlay expenses result in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond proceeds result in liabilities on the government-wide statements, but are other financing sources on the governmental fund statements.

The basic governmental fund financial statements can be found starting on page 13 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found starting on page 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The condensed statements below summarize the changes in the Authority’s basic financial statements between fiscal years 2023 and 2022.

Utah Inland Port Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2023

UTAH INLAND PORT AUTHORITY
Governmental Activities - Net Position
June 30, 2023 and 2022

	2023	2022 ¹	Change	Percent Change
Current Assets	\$ 179,314,633	\$ 217,863,585	\$ (38,548,952)	(17.7)%
Capital Assets	67,028,339	63,393,368	3,634,971	5.7 %
Total Assets	<u>246,342,972</u>	<u>281,256,953</u>	<u>(34,913,982)</u>	<u>(12.4)%</u>
Deferred Outflows of Resources	<u>345,722</u>	<u>—</u>	<u>—</u>	<u>100.0 %</u>
Current Liabilities	3,032,338	54,094,189	(51,061,851)	(94.4)%
Long-Term Liabilities	215,979,879	204,181,024	11,798,855	5.8 %
Total Liabilities	<u>219,012,217</u>	<u>258,275,213</u>	<u>(39,262,996)</u>	<u>(15.2)%</u>
Deferred Inflows of Resources	<u>486,235</u>	<u>—</u>	<u>486,235</u>	<u>100.0 %</u>
Net Position:				
Net Investment in Capital Assets	(2,513,909)	5,896,035	(8,409,944)	(142.6)%
Restricted for Capital Projects	5,778,478	13,274,942	(7,496,464)	(56.5)%
Restricted for Debt Service	1,254,199	2,394,708	(1,140,509)	(47.6)%
Unrestricted	<u>22,671,475</u>	<u>1,416,055</u>	<u>21,255,420</u>	<u>1,501.0 %</u>
Total Net Position	<u>\$ 27,190,243</u>	<u>\$ 22,981,740</u>	<u>\$ 4,208,503</u>	<u>18.3 %</u>

Net Position

The Authority's assets exceeded liabilities by \$27.190 million at the close of the most recent fiscal year. Net Position increased \$4.209 million or 18.3% as additional cash was received from tax differential.

Current assets decreased \$38.549 million or 17.7% as a \$50 million transferred from the State of Utah for a contingent liability was returned when the liability did not occur.

Current liabilities decreased \$51.062 or 94.4% as the \$50 million payable to the State of Utah was eliminated. Long-term liabilities increased \$11.799 million or 5.8% as additional lease liability was recognized for an existing lease. See Note 5 for more information.

¹ Amounts adjusted from 2022 for prior period adjustment. See note 2 for more information.

Utah Inland Port Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2023

UTAH INLAND PORT AUTHORITY
Governmental Activities - Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022 ²	Change	Percent Change
Revenues:				
State of Utah	\$ 9,698,400	\$ 18,949,400	\$ (9,251,000)	(48.8)%
Property Tax Differential	15,638,136	6,053,691	9,584,445	158.3 %
Interest Income	6,557,978	520,016	6,037,962	1161.1 %
Building Lease Revenue	624,845	—	624,845	100.0 %
Building Lease Interest Revenue	13,198	—	13,198	100.0 %
Other Misc. Revenue	151,955	—	151,955	100.0 %
Sales Tax	877,699	—	877,699	100.0 %
Gain on Lease Remeasurement	1,286,653	—	1,286,653	100.0 %
Total Revenues	<u>34,848,864</u>	<u>25,523,107</u>	<u>9,325,757</u>	<u>36.5 %</u>
Expenses:				
Salary and Wages	3,087,774	2,357,855	729,919	31.0 %
Professional Services	1,548,914	3,076,686	(1,527,772)	(49.7)%
Legal Fees	500,081	544,701	(44,620)	(8.2)%
General and Administrative Expenses	1,281,411	577,112	704,299	122.0 %
Grant Expense	11,459,079	6,510,279	4,948,800	76.0 %
Pass Through to Other Governments	1,373,945	501,100	872,845	174.2 %
Depreciation/Amortization	2,018,923	1,511,946	506,977	33.5 %
Interest and Charges on Long-term debt	9,370,235	6,787,959	2,582,276	38.0 %
Total Expenses	<u>30,640,362</u>	<u>21,867,638</u>	<u>8,772,724</u>	<u>40.1 %</u>
Change in Net Position	4,208,502	3,655,469	553,033	15.1 %
Net Position, Beginning	22,981,740	19,326,271	3,655,469	18.9 %
Net Position, Ending	<u>\$ 27,190,243</u>	<u>\$ 22,981,740</u>	<u>\$ 4,208,503</u>	<u>18.3 %</u>

Overall, revenues increased \$9.326 million or 36.5% as the Authority received \$9.584 million additional funding from property tax differential and an additional \$6.038 million interest income and began receiving lease revenue and sales tax revenue totaling \$0.878 million, while appropriations from the State of Utah decreased by \$9.251 million.

Expenses increased \$8.773 million or 40.1%. The largest portion of this increase, or \$4.949 million, is increased grant expense from the reclassification of a lease to an expense. Interest and charges on long-term debt increased \$2.582 million as a full year of bond interest was charged. Salaries and wages and general and administrative services increased as the Authority continues to expand.

² Amounts adjusted from 2022 for prior period adjustment. See note 2 for more information.

Utah Inland Port Authority
Management’s Discussion and Analysis
For the Year Ended June 30, 2023

GOVERNMENTAL FUND FINANCIAL ANALYSIS

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

At June 30, 2023, the Authority’s general fund and Crossroads PID, a special revenue fund, reported fund balances of \$22.852 million, and \$155.199 million, respectively. The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Significant changes in governmental activities’ revenues and expenses at the government-wide level mirror changes in the government funds, except for the following.

- Other Financing Sources for lease proceeds increases of \$13.550 million reflecting the inflow of resources for an increase to the lease asset of a previously recognized lease of land. The amount received from lease proceeds is not reported as a revenue in the government-wide statements, but instead as an increase in long-term liabilities..

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into restricted and unrestricted portions. *Restricted* includes net fund resources of the Authority that are subject to external constraints due to state or federal laws, or externally imposed conditions by grantors or creditors. The unrestricted fund balance is, in turn, subdivided between committed, assigned, and unassigned portions. *Committed* balances are those resources that the Board of Directors has established by formal action for specific purposes. *Assigned* balances are resources that management intends to be used for specific purposes. *Unassigned* balances are all other available net fund resources. At June 30, 2023, the Authority’s fund balances are as follows:

UTAH INLAND PORT AUTHORITY
Governmental Funds - Fund Balances
June 30, 2023

	General Fund	Special Revenue Fund Crossroads PID	Total Governmental Funds
Restricted for Capital Outlay	\$ 5,778,478	\$ 118,310,651	\$ 124,089,129
Restricted for Debt Service	0	36,888,707	36,888,707
Unassigned	17,073,632	0	17,073,632
Total Fund Balances	\$ 22,852,110	\$ 155,199,358	\$ 178,051,468

CAPITAL ASSET ADMINISTRATION

Capital Assets

During fiscal year 2023, the Authority had the following changes to leases which resulted in a net increase of \$3.635 million of capital assets:

Utah Inland Port Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2023

- An \$8.017 million payment for a 99-year lease for approximately 8.17 acres of railroad test track was eliminated and reclassified as a grant expense following the execution of a new contract with the land owner.
- An 822-month lease for 42.09 acres of land was updated to show additional leased land asset in fiscal year 2023. Monthly lease payments are currently \$147,757 and increase by 2% each year. The update increased total capital assets by \$13.550 million.

Additional information on the Authority's capital asset activity can be found in Note 4 to the basic financial statements.

BUDGETARY HIGHLIGHTS

General Fund

During the year, the Board revised the Authority's budget. The original budget was amended to reflect an increase of \$3 million from incoming contributions and transfers, and an increase to the beginning balance of \$2.8 million. The original budget was amended to reflect a \$3 million decrease in outgoing fees and transfers.

With these adjustments, actual expenditures were \$6.465 million more than final budgeted amounts. The majority of the expenditures exceeding budgeted amounts related to capital outlay expenditures of \$6.425 million due to the recognition of additional lease liability for a land lease, and pass through to other governments of \$0.774 million as the Authority had higher than expected housing affordability payments due to increased tax differential revenues.

Actual revenues were \$8.341 million higher than final budgeted amounts, as tax differential exceeded budgets \$8.138 million, unbudgeted sales tax revenue collected was \$0.878 million, interest earnings exceeded budgets by \$0.948 million, and budgeted federal grants of \$2.413 million were uncollected.

Special Revenue Fund

Actual expenditures were in line with budgeted amounts. Actual revenues were \$5.370 million more than budgeted amounts, due to higher than expected interest earnings. Net other financing sources were \$14.238 million more than budgeted amounts as the Authority did not transfer \$8.000 million to the General Fund and received \$6.238 million in transfers in from the General Fund for debt service.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the Utah Inland Port Authority and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Utah Inland Port Authority, 111 S. Main Street, Suite 550, Salt Lake City, Utah 84111.

Basic Financial Statements

UTAH INLAND PORT AUTHORITY
Statement of Net Position
June 30, 2023

Assets and Deferred Outflows:	Total
Cash and Equivalents	\$ 70,990,934
Restricted Cash	36,888,707
Investments	70,284,851
Interest Receivable	343,951
Prepaid Expenses	158,130
Accounts Receivable	175,611
Lease Receivable	472,449
Capital Assets, net	67,028,339
Total Assets	246,342,972
Deferred Outflows Related to Pension	345,723
 Liabilities and Deferred Inflows:	
Accounts Payable	449,660
Accrued Expenditures	224
Accrued Salaries	130,585
Due to State of Utah	210,248
Interest Payable	542,356
Pension Liability	808,594
Long-term Liabilities:	
Portion due or payable within one year	890,671
Portion due or payable after one year	215,979,879
Total Liabilities	219,012,217
Deferred Inflow Related to Leases	472,449
Deferred Inflow Related to Pension	13,786
Total Deferred Inflows of Resources	486,235
 Net Position:	
Net Investment in Capital Assets	(2,513,909)
Restricted for Capital Projects	5,778,478
Restricted for Debt Service	1,254,199
Unrestricted	22,671,475
Total Net Position	\$ 27,190,243

The notes to the basic financial statements are an integral part of this statement.

UTAH INLAND PORT AUTHORITY
Statement of Activities
Year Ended June 30, 2023

Expenses:	Total
Salary and Wages	\$ 3,087,774
Professional Services	1,548,914
Legal Fees	500,081
General and Administrative Expenses	1,281,411
Grant Expenditures	11,459,079
Pass Through to Other Governments	1,373,945
Depreciation/Amortization	2,018,923
Interest and Charges on Long-term Debt	9,370,235
Total Expenses	30,640,362
General Revenues:	
State of Utah	9,698,400
Property Tax Differential	15,638,136
Interest Income	6,557,978
Building Lease Revenue	624,845
Building Lease Interest Revenue	13,198
Other Misc. Revenue	151,955
Sales Tax	877,699
Gain on Lease Remeasurement	1,286,653
Total General Revenues	34,848,864
Change in Net Position	4,208,502
Net Position - Beginning	29,661,351
Net Position - Adjustment to Beginning Balance	(6,679,610)
Net Position - Beginning Balance as Adjusted	22,981,741
Net Position - Ending	\$ 27,190,243

The notes to the basic financial statements are an integral part of this statement.

UTAH INLAND PORT AUTHORITY
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund Crossroads PID</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and Cash Equivalents	23,271,836	47,719,099	\$ 70,990,935
Investments		70,284,851	\$ 70,284,851
Restricted Cash	—	36,888,707	36,888,707
Interest Receivable	—	343,951	343,951
Accounts Receivable	175,611	—	175,611
Lease Receivable	472,449	—	472,449
Prepaid Expenses	158,130	—	158,130
Total Assets	<u>\$ 24,078,026</u>	<u>\$ 155,236,608</u>	<u>\$ 179,314,634</u>
Liabilities:			
Accrued Expenditures	224	—	224
Accounts Payable	412,410	37,250	449,660
Accrued Salaries	130,585	—	130,585
Due to State of Utah	210,248	—	210,248
Total Liabilities	<u>753,467</u>	<u>37,250</u>	<u>790,717</u>
Deferred Inflows of Resources:			
Deferred Inflows Related to Leases	472,449	—	472,449
Total Deferred Inflows	<u>\$ 472,449</u>	<u>\$ —</u>	<u>\$ 472,449</u>
Fund Balances:			
Restricted for Capital Outlay	5,778,478	118,310,651	124,089,129
Restricted for Debt Service	0	36,888,707	36,888,707
Unassigned	17,073,632	—	17,073,632
Total Fund Balances	<u>\$ 22,852,110</u>	<u>\$ 155,199,358</u>	<u>\$ 178,051,468</u>

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position:

Total fund balances	\$ 178,051,468
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	67,028,339

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Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds:

Compensated Absences	(163,015)
Revenue Bonds Payable	(147,165,287)
Accrued Interest on Bonds Payable	(542,356)
Leases Payable	(69,542,248)
Deferred Outflows Related to Pensions	345,722
Pension Liability	(808,594)
Deferred Inflows Related to Pensions	(13,786)
Net Position of Governmental Activities	<u>\$ 27,190,243</u>

The notes to the basic financial statements are an integral part of this statement.

UTAH INLAND PORT AUTHORITY
Statement of Revenues, Expenditures, and Change in Fund Balances
Governmental Funds
Year Ended June 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u> <u>Crossroads PID</u>	<u>Total Governmental Funds</u>
Revenues:			
State of Utah	\$ 9,698,400	\$ —	\$ 9,698,400
Property Tax Differential	15,638,136	—	15,638,136
Interest Income	1,038,084	5,519,894	6,557,978
Building Lease Revenue	624,845		624,845
Building Lease Interest Revenue	13,198		13,198
Other Misc. Revenue	151,955		151,955
Sales Tax	877,699		877,699
Total Revenues	<u>28,042,317</u>	<u>5,519,894</u>	<u>33,562,211</u>
Expenditures:			
Salary and Wages	2,817,501	—	2,817,501
Professional Services	1,548,914	—	1,548,914
Legal Fees	500,081	—	500,081
General and Administrative Expenses	1,238,661	42,750	1,281,411
Grant Expenditures	3,563,414	—	3,563,414
Capital Outlay	13,549,559		13,549,559
Debt Service:			
Lease Principal	763,026	—	763,026
Lease Interest	2,207,547	—	2,207,547
Bond Interest and Other charges		6,508,275	6,508,275
Pass Through to Other Governments	1,373,945	—	1,373,945
Total Expenditures	<u>27,562,648</u>	<u>6,551,025</u>	<u>34,113,673</u>
Excess of Revenues Over Expenditures	<u>479,669</u>	<u>(1,031,131)</u>	<u>(551,462)</u>
Other Financing Sources (Uses)			
Lease Proceeds	13,549,559	—	13,549,559
Transfers In	—	6,237,516	6,237,516
Transfers Out	(6,237,516)	—	(6,237,516)
Total Other Financing Sources (Uses)	<u>7,312,043</u>	<u>6,237,516</u>	<u>13,549,559</u>
Net Change in Fund Balances	<u>7,791,712</u>	<u>5,206,385</u>	<u>12,998,097</u>
Fund Balances - Beginning as Adjusted	<u>15,060,398</u>	<u>149,992,973</u>	<u>165,053,371</u>
Fund Balances - Ending	<u>\$ 22,852,110</u>	<u>\$ 155,199,358</u>	<u>\$ 178,051,468</u>

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Reconciliation of the statement of revenues, expenditures, and change in fund balances of the governmental fund to the statement of activities

Net change in fund balances \$ 12,998,097

The change in net position for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, capital assets are capitalized and depreciated over their useful lives. 13,549,559

The following expenditures reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Depreciation/Amortization Expense	(2,018,923)
Interest	(545,035)
Compensated Absences	37,053
Pension Expense	(307,326)
Convert Lease to Grant Expense	(7,895,665)

Bond proceeds and leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Position. Repayments of bond and lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Position:

Lease Proceeds	(13,549,559)
Gain on Lease Remeasurement	1,286,653
Amortization of Bond Discount	(109,378)
Lease Payments	<u>763,026</u>

Change in net position of governmental activities \$ 4,208,502

The notes to the basic financial statements are an integral part of this statement.

UTAH INLAND PORT AUTHORITY
Statement of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
General Fund

Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State of Utah	\$ 9,690,000	\$ 9,698,400	\$ 9,698,400	\$ —
Property Tax Differential	7,500,000	7,500,000	15,638,136	8,138,136
Interest Earnings	90,000	90,000	1,038,084	948,084
Building Lease Revenue	—	—	624,845	624,845
Building Lease Interest Revenue	—	—	13,198	13,198
Other Misc. Revenue	—	—	151,955	151,955
Sales Tax	—	—	877,699	877,699
Federal CMAQ Grant	2,412,792	2,412,792	—	(2,412,792)
Total Revenues	<u>19,692,792</u>	<u>19,701,192</u>	<u>28,042,317</u>	<u>8,341,125</u>
Expenditures:				
Salary and Wages	2,600,000	3,100,000	2,817,501	(282,499)
Professional Services	2,790,000	2,190,000	1,548,914	(641,086)
Office Lease	225,000	225,000	205,056	(19,944)
Legal Fees	500,000	500,000	500,081	81
General and Administrative Expenses	967,500	757,500	1,033,606	276,106
Grant Expenditures	6,100,000	6,100,000	3,563,413	(2,536,587)
Capital Outlay	7,125,000	7,125,000	13,549,559	6,424,559
Debt Service			2,970,573	2,970,573
Office Build Out		500,000	—	(500,000)
Pass Through to Other Governments	600,000	600,000	1,373,945	773,945
Total Expenditures	<u>20,907,500</u>	<u>21,097,500</u>	<u>27,562,648</u>	<u>6,465,148</u>
Excess of Revenues Over Expenditures	<u>(1,214,708)</u>	<u>(1,396,308)</u>	<u>479,669</u>	<u>1,875,977</u>
Other Financing Sources (Uses):				
Transfers In	5,000,000	8,000,000	—	(8,000,000)
Transfers Out	(3,000,000)	—	(6,237,516)	(6,237,516)
Lease Proceeds	—	—	13,549,559	13,549,559
Total Other Financing Sources (Uses)	<u>2,000,000</u>	<u>8,000,000</u>	<u>7,312,043</u>	<u>(687,957)</u>
Net Change in Fund Balances	785,292	6,603,692	7,791,712	1,188,020
Fund Balances, Beginning as Adjusted	<u>15,060,398</u>	<u>15,060,398</u>	<u>15,060,398</u>	<u>—</u>
Fund Balances, Ending	<u>\$ 15,845,690</u>	<u>\$ 21,664,090</u>	<u>\$ 22,852,110</u>	<u>\$ 1,188,020</u>

The notes to the basic financial statements are an integral part of this statement.

UTAH INLAND PORT AUTHORITY

Statement of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
Special Revenue Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Interest earnings	\$ 150,000	\$ 150,000	\$ 5,519,894	\$ 5,369,894
Total Revenues	<u>150,000</u>	<u>150,000</u>	<u>5,519,894</u>	<u>5,369,894</u>
Expenditures:				
Administration	5,500	5,500	5,500	—
Professional Services	30,000	30,000	37,250	7,250
Debt Service - Bond Interest	6,508,275	6,508,275	6,508,275	—
Total Expenditures	<u>6,543,775</u>	<u>6,543,775</u>	<u>6,551,025</u>	<u>7,250</u>
Excess of Revenues Over Expenditures	<u>(6,393,775)</u>	<u>(6,393,775)</u>	<u>(1,031,131)</u>	<u>5,362,644</u>
Other Financing Sources (Uses):				
Transfers In	—	—	6,237,516	6,237,516
Transfer out to UIPA Capital Budget	<u>(8,000,000)</u>	<u>(8,000,000)</u>	<u>—</u>	<u>8,000,000</u>
Total Other Financing Sources (Uses)	<u>(8,000,000)</u>	<u>(8,000,000)</u>	<u>6,237,516</u>	<u>14,237,516</u>
Net Change in Fund Balances	(14,393,775)	(14,393,775)	5,206,385	19,600,160
Fund Balances, Beginning	<u>149,992,973</u>	<u>149,992,973</u>	<u>149,992,973</u>	<u>—</u>
Fund Balances, Ending	<u>\$135,599,198</u>	<u>\$135,599,198</u>	<u>\$155,199,358</u>	<u>\$ 19,600,160</u>

The notes to the basic financial statements are an integral part of this statement.

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UTAH INLAND PORT AUTHORITY
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
Year Ended June 30, 2023

	General Fund	Special Revenue Fund
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses (budgetary basis)	\$ 7,791,712	\$ 5,206,385
Revenues and Other Financing Sources Not Budgeted:		
Lease Proceeds	13,549,559	—
Total Revenues and Other Financing Sources Not Budgeted	13,549,559	—
Expenditures and Other Financing Uses Not Budgeted:		
Leased Asset	(13,549,559)	—
Total Expenditures Other Financing Uses Not Budgeted	(13,549,559)	—
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses – GAAP Basis	\$ 7,791,712	\$ 5,206,385

The notes to the basic financial statements are an integral part of this statement.

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Utah Inland Port Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Utah Inland Port Authority (Authority) are in conformity with accounting principles generally accepted in the United States of America applicable to local governmental units. The following is a summary of the more significant accounting policies applied by the Authority.

Organization

The Authority is a political subdivision of the State of Utah created in 2018 under the Utah Inland Port Authority Act (UIPA Act) in *Utah Code* Title 11, Chapter 58, as an independent, nonprofit corporation directed to maximize the long-term economic and other benefits of a robust logistics system while still maintaining a high quality of life. The Authority is a forward-thinking agency aiming to channel logistics in a way that benefits all of Utah by ensuring a safe, smart, and sustainable system statewide.

The Board of Directors is the primary governing authority for the Authority. The Board consists of two voting members appointed by the Governor, one voting member each appointed by the President of the Senate and Speaker of the House of Representatives, respectively, and one jointly appointed by the President and Speaker, for a total of five voting members. The Board establishes policies, approves the budget, and appoints officials with responsibilities for administering all funding activities and fiscal matters of the Authority.

Utah Inland Port Authority is a component unit of the State of Utah since its board is controlled by the State of Utah through the appointment of the majority of the governing board.

Reporting Entity

The financial statements report the financial activity of the Authority and its blended component unit, Crossroads Public Infrastructure District (Crossroads PID). Crossroads PID is a legally separate entity created by the Authority in fiscal year 2022 for the purpose of financing infrastructure costs and providing operation and maintenance of infrastructure for the use and benefit of all inhabitants, businesses, and taxpayers of the District and project area of the Authority. Crossroads PID is governed by a Board of Directors composed of the Authority's Director, Chair and Vice Chair of the Authority's Board, and two technical experts appointed by the Crossroads PID Board. The PID is considered a blended component unit since it almost exclusively benefits the Authority and since the debt of the PID is expected to be paid almost entirely by the Authority. Crossroads PID is reported as a special revenue fund of the Authority. Separate financial statements are not required or issued for Crossroads PID.

Government-wide Financial Statements

The *statement of net position* and the *statement of activities* report information on all of the activities of the Authority and its blended component unit.

Fund Financial Statements

The fund financial statements provide information about the Authority's general fund and Crossroads PID, a special revenue fund. The general fund accounts for all financial resources of the Authority not accounted for and reported in the special revenue fund. The Crossroads PID special revenue fund accounts for the resources used for the payment of principal and interest on general long-term debt obligations.

Utah Inland Port Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on account with the State of Utah and deposits with the Utah Public Treasurer's Investment Fund (PTIF). Crossroads PID bond proceeds are held by Zions Bank as the trustee. Cash and investment management in the State is administered by the State Treasurer in accordance with the State Money Management Act, Title 51 Chapter 7 of the *Utah Code* (see Note 3). The State maintains a cash and investment pool that is available for use by all its funds and fiduciary activities. Income from the investment of pooled cash is allocated based upon portion of the pool of each fund or fiduciary activity. Bond proceeds are also invested in accordance with the Money Management Act.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Authority considers revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. State appropriations are considered to be susceptible to accrual. Other receipts become measurable and available when cash is received by the Authority and are recognized as revenue at that time. Expenditures are recorded when the related fund liability is matured or paid.

Budgetary Basis of Accounting

The Authority operates within budget requirements as specified by Utah law. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America using the modified accrual basis of accounting for the general fund and Crossroads PID.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget pursuant to state regulations, and the encumbrances are automatically reestablished in the next year.

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Utah Inland Port Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Capital Assets

The Authority defines capital assets as assets with an initial, individual cost of \$5,000 or more and are reported in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Leased assets are amortized using the straight-line method over the shorter of the lease term or the useful life the underlying asset. Depreciation is provided on capital assets using the straight-line method. Estimated useful lives are as follows:

<u>Asset Class</u>	<u>Years</u>
Equipment	3 - 5
Leased Buildings	30 - 40

Compensated Absences

Generally, vacation leave is accrued at a rate of four hours every two weeks for the first five years of employment, and grows to a rate of seven hours every two weeks after 20 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 every two weeks, with no limit to the amount that can be accumulated. The Authority does not reimburse employees for unused sick leave upon termination.

The total liability of the governmental activities for compensated absences is recorded in the government-wide *statement of net position* as part of long-term liabilities. However, in accordance with GAAP, the liability is not recorded in the governmental fund financial statements. See Note 5 for additional information about the liability.

Compensatory time for overtime worked may be earned. Any compensatory time exceeding 40 hours may be paid out yearly, with a maximum payout of 160 hours. In accordance with GAAP, compensatory time is expended when the leave is taken in governmental funds, but is expensed when earned for budgetary purposes.

Net Position/Fund Balances

The residual of all other elements presented in a statement of net position is *net position* on the government-wide financial statements and the residual of all other elements presented in a balance sheet is *fund balance* on the governmental fund financial statements.

Net position is divided into three components: net investment in capital assets (capital assets net of related debt), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the Authority is bound to honor them. The Authority first determines and reports nonspendable balances, then restricted, then committed, and then assigned, with the remainder being reported as unassigned.

Utah Inland Port Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Fund balance classifications are as follows:

Restricted – This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include resources from the State of Utah to be used for capital outlay and resources restricted to pay long-term debt.

Unassigned – Residual balances are classified as unassigned.

Net Position/Fund Balance Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report in each category of net position and fund balance, a flow assumption must be made about the order in which the resources are considered to be applied.

Net Position – It is the Authority’s policy to consider restricted net position to have been depleted before unrestricted net position.

Fund Balance – It is the Authority’s policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Implementation of New Governmental Accounting Standards

The Authority implemented the following Governmental Accounting Standards Board (GASB) statements during fiscal year 2023. These statements had little or no effect on the Authority’s financial activities:

- GASB Statement No. 91, *Conduit Debt Obligations*
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
- GASB Statement No. 99, *Omnibus 2022*

NOTE 2 – ADJUSTMENTS TO BEGINNING FUND BALANCE AND OTHER CHANGES

During the fiscal year ending the Authority identified an error in the classification of certain expenditures previously capitalized as Construction in Process (CIP). As a result of this reevaluation, the Authority recorded a prior period adjustment to remove the entire CIP balance of \$6.510 million. The expenses were reimbursements to a vendor for an infrastructure asset not owned or controlled by the Authority. Additionally, the authority recorded pension liability of \$0.809 million and a corresponding reduction to beginning balances of \$0.169 million. These adjustments reflect a correction in the classification of certain expenditures to align with their proper accounting treatment. The corrected financial information now reflects a more accurate representation of the organization's financial position.

In the June 23, 2023 Authority board meeting and subsequent contract amendment, the classification of the lease entered into in December, 2021 for approximately 8.17 acres of railroad test track for a one-time payment of \$8.017 million was reclassified. The contract amendment specifies that \$8 million of this

Utah Inland Port Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

payment was a reimbursement of infrastructure expenditures rather than a lease payment. To account for this change, the leased asset and accumulated amortization balances were eliminated and the Authority recognized a \$7.896 million grant expense in fiscal year 2023. The Authority maintains a lease on the land for a nominal payment well below fair market value, which is therefore not subject to GASB 87.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Authority’s cash is held by the State of Utah. District bond proceeds are held by Zions Bank as the trustee and the State of Utah through the Public Treasurer’s Investment Fund. The Authority (and the State) complies with the State Money Management Act (*Utah Code* Title 51, Chapter 7) (the Act) and related Rules of the Money Management Council (the Council) in handling its depository and investing transactions. Authority funds are deposited in qualified depositories as defined by the Act.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The Authority considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

The Authority’s cash and cash equivalents as of June 30, 2023 are shown below:

	Fair Value
Utah Public Treasurer’s Investment Fund	107,879,642
Total	<u>\$ 107,879,642</u>

Utah Inland Port Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Deposits

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk other than to comply with the Act. As of June 30, 2023, the Authority’s bank balance was uninsured. No deposits are collateralized, nor is it required by state statute.

Investments

The Act also defines the types of securities allowed as appropriate investments for the Authority and the conditions for making investment transactions. The Act authorizes the Authority to invest in the State of Utah Public Treasurers’ Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker’s acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah. All U.S. agency issues owned by the authority are issued by the Federal Home Loan Bank System.

The Utah State Treasurer’s Office operates the 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 the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

Fair Value of Investments

The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

Investments by Fair Value Level

Debt Securities	Total Fair Value	Level 1	Level 2	Level 3
U.S. Agencies	\$8,000,779		\$8,000,779	
Commercial Paper	29,683,436		29,683,436	
U.S. Treasuries	32,600,636	32,600,636		
PTIF	107,879,642		107,879,642	
Total	\$178,164,493	\$32,600,636	\$145,563,857	

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Other debt securities classified in Level 2 are valued using the following approach:

- U.S. Agencies and Commercial Paper: valued using quoted prices for identical securities in markets that are not active or using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

Utah Inland Port Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

- Utah Public Treasurers' Investment Fund: application of the June 30, 2023 fair value factor, as calculated by the Utah State Treasurer, to the June 30 balance in the Fund.

Credit Risk – Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Authority's policy for limiting the credit risk of investments is to comply with the Act.

As of June 30, 2023, the fair value of debt security investments with exposure to credit risk had the following S&P credit quality ratings. The PTIF pool has not been rated.

Investment Quality Ratings

Investment Type	Fair Value	A	Not Rated	No Risk
U.S. Agencies	\$8,000,779	\$8,000,779		
Commercial Paper	29,683,436	29,683,436		
U.S. Treasuries	32,600,636			32,600,636
PTIF	107,879,642		107,879,642	
Total	\$178,164,493	\$37,684,215	\$107,556,639	\$32,596,969

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy for managing interest rate risk is to comply with the Act.

As of June 30, 2023, the Authority's investments had the following maturities:

Investment Maturities

Investment Type	Fair Value	Less than 1 Year	1-5 Years
U.S. Agencies	\$8,000,779	\$8,000,779	
Commercial Paper	29,683,436	29,683,436	
U.S. Treasuries	32,600,636	23,803,647	8,796,989
PTIF	107,879,642	107,879,642	
Total Fair Value	\$178,164,493	\$169,367,504	\$8,796,989

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's policy for reducing this risk of loss is to comply with the Act and the rules of the Council.

As of June 30, 2023, the Authority did not hold more than 5% of total investments in any single security.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy is to follow the Act and the rules of the Council. All securities are held in the Authority's name.

Utah Inland Port Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance³	Increases	Decreases	Ending Balance
Capital Assets Depreciated/Amortized:				
Leased Land	57,904,774	13,549,559	(8,017,137)	63,437,196
Leased Buildings	6,991,295	—	—	6,991,295
Equipment	41,304	—	—	41,304
Total	<u>64,937,373</u>	<u>13,549,559</u>	<u>(8,017,137)</u>	<u>70,469,795</u>
Accumulated Depreciation/Amortization for:				
Leased Land	(1,025,090)	(1,372,923)	121,472	(2,276,542)
Leased Buildings	(478,595)	(645,016)	—	(1,123,610)
Equipment	(40,320)	(984)	—	(41,304)
Total	<u>(1,544,005)</u>	<u>(2,018,923)</u>	<u>121,472</u>	<u>(3,441,456)</u>
Total Capital Assets Depreciated/ Amortized, net	<u>63,393,368</u>	<u>11,530,636</u>	<u>(7,895,665)</u>	<u>67,028,339</u>
Capital Assets, Net	<u><u>\$ 63,393,368</u></u>	<u><u>\$11,530,636</u></u>	<u><u>\$(7,895,665)</u></u>	<u><u>\$ 67,028,339</u></u>

NOTE 5 - LONG-TERM LIABILITIES

The following is a summary of the changes in long-term debt liabilities for the year ended June 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue Bonds	\$ 150,000,000	\$ —	\$ —	\$ 150,000,000	\$ —
Unamortized Discount	(2,944,091)	—	109,378	(2,834,713)	(109,378)
Leases	56,755,715	13,549,559	763,026	69,542,248	957,270
Compensated Absences	200,068	—	(37,053)	163,015	42,779
	<u>\$ 204,011,692</u>	<u>\$ 13,549,559</u>	<u>\$ 835,351</u>	<u>\$ 216,870,550</u>	<u>\$ 890,671</u>

Revenue Bonds

The Crossroads PID issued Tax Differential Revenue Bonds, Series 2021, to pay all or a portion of the costs of public infrastructure and improvements, the acquisition of land or lease rental rights, and the construction of a transloading facility/cross-dock facility and other improvements. The bonds are secured by and payable solely from pledged revenue consisting of a portion of the Authority's property tax increment or differential from property taxes levied upon taxable property in the project area. Under the UIPA Act, the Authority receives 75% of the property tax increment, with the remaining 25% distributed to the other taxing entities in the area. Of this 75%, 10% is required to be applied to affordable housing and is not pledged for Bonds. Thereafter, 40% of such amount is pledged under the Capital Pledge Agreement as Tax Differential Revenues for debt service on the Bonds. Crossroads PID has pledged these revenues to repay \$150 million of outstanding Tax Differential Series 2021 Bonds, which are payable

³ Amounts adjusted from 2022 for prior period adjustment. See note 2 for more information.

Utah Inland Port Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

through 2052. Principal payments do not commence until 2034. For the current year, the total amount of interest paid was \$6.508 million.

The 2021 Series Revenue Bonds payable consisted of the following at June 30, 2023:

	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance</u>
Revenue Bonds Series 2021	12/30/2021	2034-2052	4.125% - 4.375%	\$ 150,000,000	\$150,000,000

Debt Service forecasts to maturity on the Series 2021 Revenue Bonds as of June 30, 2023, are summarized below:

Year Ending	Total Amount		
June 30	Principal	Interest	Required
2024	—	6,508,275	6,508,275
2025	—	6,508,275	6,508,275
2026	—	6,508,275	6,508,275
2027	—	6,508,275	6,508,275
2028	—	6,508,275	6,508,275
2029-2033	—	32,541,375	32,541,375
2034-2038	8,340,000	32,109,900	40,449,900
2039-2043	26,495,000	28,966,844	55,461,844
2044-2048	51,125,000	21,215,250	72,340,250
2049-2053	64,040,000	7,323,094	71,363,094
Total	\$ 150,000,000	\$ 154,697,838	\$ 304,697,838

Leases

The Authority leases various facilities and land. In the government-wide financial statements, assets and liabilities resulting from leases are recorded at the inception of the lease at the present value of the future minimum lease payments. The principal portion of lease payments reduces the liability, and the interest portion is expensed. On the governmental fund financial statements, both the principal and interest portions of lease payments are recorded as expenditures.

In November 2021, the Authority entered into a 126-month lease for a building and 23.23 acres of land. Monthly lease payments of \$100,000 commenced July 2022 and increase by 2.5% each year.

In December 2021, the Authority entered into a 99-year lease for approximately 8.17 acres of land and a railroad test track for a one-time payment of \$8.017 million. In June 2023, the Board entered a new agreement where \$8 million of this payment was reclassified to a grant for improvements to the site and the remaining \$17 thousand is for the lease. As this payment was a nominal amount well below fair market value and immaterial to the financial statements, GASB Statement No. 87, *Leases*, does not apply.

The Authority entered into a lease for office space in October 2019 for 86 months plus one 5-year option to renew, which the Authority is reasonably certain it will exercise. The total monthly rent for this lease is \$17,088 and increases by 3% each year.

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The Authority entered into a 30-year lease agreement for land in December 2020, with four 10-year options to renew, which the Authority is reasonably certain it will exercise. The total monthly rent for this lease is \$147,757 and increases by 2% each year. The authority recognized an additional \$13.550 million lease asset and long term lease liability for this lease in 2023 as the Authority did not elect to construct improvements on the property which resulted in the higher lease liability.

Future principal and interest lease payments are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 957,270	\$ 2,292,004	\$ 3,249,274
2025	1,039,043	2,283,504	3,322,547
2026	1,129,543	2,271,920	3,401,463
2027	1,221,306	2,256,955	3,478,261
2028	1,318,304	2,238,522	3,556,825
2029-2033	5,681,855	10,860,469	16,542,324
2034-2038	—	11,437,287	11,437,287
2039-2043	—	12,627,689	12,627,689
2044-2048	—	13,941,988	13,941,988
2049-2053	—	15,393,082	15,393,082
2054 - 2058	—	16,995,206	16,995,206
2059 - 2063	—	18,764,081	18,764,081
2064 - 2068	—	20,717,061	20,717,061
2069 - 2073	—	22,873,310	22,873,310
2074 - 2078	1,336,220	23,917,762	25,253,982
2079 - 2083	16,879,889	11,002,548	27,882,437
2084 - 2088	24,350,152	6,434,311	30,784,464
2089 - 2093	15,628,666	928,205	16,556,871
Total	<u>\$ 69,542,248</u>	<u>\$ 197,235,904</u>	<u>\$ 266,778,152</u>

NOTE 6 – LEASE REVENUE

In August 2022, the Authority entered into a triple net sublease of the building and seven acres of the land leased by the Authority in November, 2021. The lease term is 18 months plus an option to the tenant for a one year renewal, which they are not expected to exercise. The Authority receives \$59,445 in monthly lease revenue for the building as well as revenue for property expenses, including real estate taxes, building insurance, utilities, and maintenance. Total revenue received for the fiscal year was \$789,998, of which \$624,845, was for the building lease revenue, \$13,198 was lease interest revenue, and the remaining \$151,955 was for other expenses.

Future principal and interest lease revenues are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 472,449	\$ 3,111	\$ 475,560
Total	<u>\$ 472,449</u>	<u>\$ 3,111</u>	<u>\$ 475,560</u>

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NOTE 7 – PROPERTY TAX DIFFERENTIAL AND SALES TAX

In accordance with *Utah Code* Title 11, Chapter 58 (the Code), the Authority is entitled to receive the difference between the amount of property tax revenues generated each tax year by all taxing entities from a project area, using the current assessed value of property; and the amount of property tax revenues that would be generated from the same area using the base taxable value of the property; excluding property tax revenues generated from certain levies as defined by the code. Each year this property tax differential collected is forwarded directly by Salt Lake County to the Authority. During the year ended June 30, 2023, the Authority recognized \$15.638 million for property tax differential revenue related to the 2022 tax year.

In accordance with *Utah Code* Title 11, Chapter 58 (the Code), the Authority is entitled to receive sales and use tax revenue collected from retail sales transactions that occur on authority jurisdictional land. The Authority transfers half of the point of sale portion to each eligible county and eligible municipality and all of the retail sales portion to each eligible county and eligible municipality. During the year ended June 30, 2023, the Authority collected \$2.236 million in sales and use tax and distributed \$1.358 million to eligible counties and municipalities.

NOTE 8 — INTERFUND TRANSFERS

Transfers between funds occur when one fund collects revenue and transfers the assets to another fund for expenditure or when one fund provides working capital to another fund. The transfer from the general fund to the Crossroads PID special revenue fund is for debt service expenditures.

NOTE 9 - RISK MANAGEMENT

The Authority 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. The Authority is a member of an insurance risk pool known as the Utah Local Governments Trust (the Trust), which covers all of these risks except natural disasters. The Authority is covered under a general liability insurance policy that covers claims up to \$2.000 million. Claims against the Authority did not exceed coverage in any of the past three years.

NOTE 10 –LITIGATION

The Authority is a defendant in a breach of contract action filed by a prior vendor. Although the outcome of this lawsuit is not presently determinable, the Authority’s counsel believes that the probable outcome of this lawsuit would not materially affect the Authority’s financial statement.

NOTE 11 –SUBSEQUENT EVENTS

The Authority is currently in negotiations to purchase certain real property previously used by Salt Lake City as a landfill from the Utah School and Institutional Trust Lands Administration (SITLA). This purchase was authorized by the Authority board in their June 23, 2023 board meeting and the expenditure for this land was included in the fiscal year 2024 budget. The purchase of the land is expected to be completed in fiscal year 2024. On September 26, 2023 the Crossroads PID and SITLA executed a letter of intent to complete the transaction for \$31 million.

NOTE 12 –PENSIONS

The Authority is paying the salaries and benefits, including contributions to the State’s pension systems (Systems), on behalf of eligible employees. As a result, the Authority may be liable for an apportioned amount of the System’s net pension liability related to these eligible employees. In FY23, the Authority recognized a \$0.809 million pension liability.