
OFFICIAL NOTICE OF BOND SALE
and
PRELIMINARY OFFICIAL STATEMENT



Spanish Fork City, Utah

\$40,100,000*

Sewer Revenue Bonds, Series 2024A

Electronic bids will be received up to 9:15:00 A.M. M.D.T., via the ***PARITY***® electronic bid submission system, on Wednesday, March 27, 2024.

* Preliminary; subject to change.

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OFFICIAL NOTICE OF BOND SALE

(Bond Sale to be Conducted Electronically)

\$40,100,000*

Spanish Fork City, Utah

Sewer Revenue Bonds, Series 2024A

Bids will be received electronically (as described under “Procedures Regarding Electronic Bidding” below) by Spanish Fork City, Utah (the “City”) at the office of Zions Public Finance, Inc., Salt Lake City, Utah, the municipal advisor to the City (the “Municipal Advisor”) on the PARITY® bidding system (“PARITY”) up to 9:15 a.m., Mountain Daylight Time (“M.D.T.”), on Wednesday, March 27, 2024 (the “2024 Sale Date”), for the purchase all or none (“AON”) of \$40,100,000* Sewer Revenue Bonds, Series 2024A, (the “Series 2024A Bonds”) to be issued by the City.

The bids will be publicly reviewed and considered by certain designated officers of the City on the 2024 Sale Date.

Description of the Series 2024A Bonds

The Series 2024A Bonds will be dated their date of delivery thereof, will be fully registered bonds, in book-entry form, in denominations of \$5,000 or whole multiples thereof, and will mature on September 1 of the years and in the principal amounts* as follows:

Maturity (September 1)	Amount*	Maturity (September 1)	Amount*
2025	\$1,210,000	2035	\$2,000,000
2026	1,275,000	2036	2,100,000
2027	1,340,000	2037	2,210,000
2028	1,410,000	2038	2,320,000
2029	1,480,000	2039	2,430,000
2030	1,555,000	2040	2,525,000
2031	1,635,000	2041	2,630,000
2032	1,720,000	2042	2,735,000
2033	1,810,000	2043	2,850,000
2034	1,900,000	2044	2,965,000

The Series 2024A Bonds will be issued in registered form and, when issued, will be registered in the name of The Depository Trust Company, New York, New York, or its nominee. The Depository Trust Company will act as securities depository for the Series 2024A Bonds. Purchases of beneficial interests in the Series 2024A Bonds will be made in book-entry form in the denomination of \$5,000 or any whole multiple thereof.

Term Bonds and Mandatory Sinking Fund Redemption at Bidder’s Option

The Series 2024A Bonds scheduled to mature on two or more of the above-designated maturity dates may be rescheduled, at bidder’s option, to mature as term bonds on one or more dates within that period, in which event the Series 2024A Bonds will mature and be subject to mandatory sinking fund redemption in such amounts and on such

* Preliminary, subject to change. See “Adjustment of Principal Amount of the Series 2024A Bonds” in this Official Notice of Bond Sale.

dates as will correspond to the above–designated maturity dates and principal amounts maturing on those dates, as adjusted.

Adjustment of Principal Amount of the Series 2024A Bonds

The City reserves the right, following determination of the best bid(s) to reduce or increase the principal amount of each maturity of the Series 2024A Bonds and to increase or reduce the overall principal amount of the Series 2024A Bonds to be issued, as described in this section.

The City may adjust the aggregate principal amount of the Series 2024A Bonds such that the total proceeds available to the City (after payment of costs of issuance) will be approximately \$43,000,000. The adjustment of maturities may also be made in such amounts as are necessary to provide the City with desired debt service payments during the life of the Series 2024A Bonds. Any such adjustment will be in an amount of \$5,000 or a whole multiple thereof. The dollar amount of the price bid by the successful bidder may be changed as described below, but the interest rates specified by the successful bidder for all maturities will not change. A successful bidder may not withdraw its bid as a result of any changes made as described above, and the City will consider the bid as having been made for the adjusted amount of the Series 2024A Bonds. The dollar amount of the price bid will be changed so that the percentage net compensation to the successful bidder (i.e., the percentage resulting from dividing (a) the aggregate difference between the offering price of the Series 2024A Bonds to the public and the price to be paid to the City, by (b) the principal amount of the Series 2024A Bonds) does not increase or decrease from what it would have been if no adjustment was made to the principal amounts shown above. The City expects to advise the successful bidder as soon as possible, but expects no later than 2:00 p.m., M.D.T., on the date of sale, of the amount, if any, by which the aggregate principal amount of the Series 2024A Bonds will be adjusted and the corresponding changes to the principal amount of Series 2024A Bonds maturing on one or more of the above–designated maturity dates for the Series 2024A Bonds.

To facilitate any adjustment in the principal amounts, the successful bidder(s) is required to indicate by electronic means to the Municipal Advisor at johnathan.ward@zionsbancorp.com within one–half hour of the time of bid opening, the amount of any original issue discount or premium on each maturity of the Series 2024A Bonds and the amount received from the sale of the Series 2024A Bonds to the public that will be retained by the successful bidder(s) as its compensation.

Possible Rejection of All Bids

As described below under “Sale Reservations,” the City reserves the right to reject any and all bids and to resell the Series 2024A Bonds. In such case the City may elect to negotiate a subsequent sale of the Series 2024A Bonds.

Rating and Bond Insurance at Bidder’s Option

The City will, at its own expense, pay the fees of S&P Global Ratings (“S&P”) for rating the Series 2024A Bonds. As of the date of the Preliminary Official Statement, S&P has assigned its municipal bond rating of “AA–” to the Series 2024A Bonds. Any additional ratings shall be at the option and expense of the successful bidder(s).

Each bidder may include in its bid a proposal to obtain, at its expense, a municipal bond insurance policy issued by an insurer acceptable to the Issuer with respect to all or a portion of the Series 2024A Bonds.

Purchase Price

The aggregate purchase price to be bid for the Series 2024A Bonds shall not be less than the principal amount of the Series 2024A Bonds (\$40,100,000*). The final par amount of the 2024A Bonds may be adjusted (either increased or decreased) as provided above under “Adjustment of Principal Amount of the Series 2024A Bonds”.

Interest Rates

The Series 2024A Bonds will bear interest at any number of different rates, any of which may be repeated, which rates shall be expressed in multiples of one–eighth or one–twentieth of one percent (1/8 or 1/20 of 1%) per annum. In addition:

1. the maximum interest rate bid for any of the Series 2024A Bonds may not exceed 6.50% per annum;
2. the minimum price for any maturity of the 2024 Bonds shall not be less than 98.00%;
3. all Series 2024A Bonds of the same maturity must bear a single rate of interest;

* Preliminary; subject to change.

4. a zero rate cannot be named for all or any part of the time from the date of any Series 2024A Bond to its stated maturity;
5. any premium must be paid in the funds specified for the payment of the Series 2024A Bonds as part of the purchase price;
6. interest shall be computed from the dated date of a Series 2024A Bond to its stated maturity date at the single interest rate specified in the bid for the Series 2024A Bonds of such maturity;
7. the purchase price must be paid in immediately available funds and no bid will be accepted that contemplates the cancellation of any interest or the waiver of interest or other concession by the bidder as a substitute for federal funds;
8. there shall be no supplemental interest coupons; and
9. interest shall be computed on the basis of a 360-day year of 12, 30-day months.

Interest will be payable semiannually on March 1 and September 1 and beginning September 1, 2024, at the rate or rates to be fixed at the time the Series 2024A Bonds are sold.

Payment of Principal and Interest

Principal and interest are payable by Zions Bancorporation, National Association, Salt Lake City, Utah, as Trustee, Paying Agent and Registrar, to the registered owners of the Series 2024A Bonds. So long as The Depository Trust Company, New York, New York (“DTC”) is the registered owner, DTC will, in turn, remit such principal and interest to its participants, for subsequent disbursements to the beneficial owners of the Series 2024A Bonds as described under “THE 2024 BONDS–Book–Entry System” in the City’s Preliminary Official Statement with respect to the Series 2024A Bonds (the “Preliminary Official Statement”). Interest on the Series 2024A Bonds will be payable by check or draft mailed to the registered owners thereof (initially DTC) as shown on the registration books kept for the City by the Registrar.

Optional Redemption

The Series 2024A Bonds maturing on or prior to September 1, 2032, are not subject to redemption prior to maturity. The Series 2024A Bonds maturing on or after September 1, 2033, are subject to redemption at the option of the City on March 1, 2033, and on any date thereafter prior to maturity, in whole or in part, from such maturities or parts thereof as may be selected by the City, at a redemption price equal to 100% of the principal amount of the Series 2024A Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

Security

The Series 2024A Bonds are special limited obligations of the City, payable solely from the Net Revenues, moneys, securities and funds pledged therefor in the Indenture, all as more fully described in the Preliminary Official Statement. The Revenues consist primarily of moneys received from operation of the City’s sewer utility.

No assurance can be given that the Net Revenues will remain sufficient for the payment of the principal of or interest on the Series 2024A Bonds. The Series 2024A Bonds do not constitute a general obligation indebtedness or a pledge of the ad valorem taxing power or the full faith and credit of the City and are not obligations of the State of Utah or any other agency or other political subdivision or entity of the State of Utah. The City will not mortgage or grant any security interest in the improvements financed with the proceeds of the Series 2024A Bonds or any portion thereof to secure payment of the Series 2024A Bonds.

Procedures Regarding Electronic Bidding

No bid will be accepted unless the City has determined that such bidder has provided the requested Deposit as described under “Good Faith Deposit” below.

Bids will be received electronically via PARITY® in accordance with the following procedures:

PARITY®

A prospective bidder must communicate its bid electronically via PARITY® on or before 9:15 a.m. M.D.T., on the 2024 Sale Date. No bid will be received after the time for receiving bids. To the extent any instructions or directions set forth in PARITY® conflict with this Official Notice of Bond Sale, the terms of this Official Notice of Bond Sale shall control. For further information about PARITY®, potential bidders may contact the Municipal Advisor to the City or i-Deal LLC at 1359 Broadway, New York, New York 10018, 212.849.5021. The time as maintained by PARITY® shall constitute the official time.

Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access PARITY® for purposes of submitting its bid in a timely manner and in compliance with the requirements of this OFFICIAL NOTICE OF BOND SALE. Neither the Municipal Advisor, the City nor i-Deal LLC shall have any duty or obligation to provide or assure such access to any qualified prospective bidder, and neither the Municipal Advisor, the City nor i-Deal LLC shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The City is using PARITY® as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Series 2024A Bonds.

Notification

The Municipal Advisor will notify the apparent successful bidder(s) (electronically via PARITY®) as soon as possible after the City's receipt of bids, that such bidder's bid appears to be the lowest and best bid received which conforms to the requirements of this OFFICIAL NOTICE OF BOND SALE, subject to verification and to official action to be taken by certain authorized officers of the City as described in the next succeeding paragraph.

The award of the Series 2024A Bonds to the successful bidder will be considered by certain designated officers of the City on the 2024 Sale Date, pursuant to a resolution previously adopted by the City Council of the City on December 12, 2023.

Form of Bid

Each bidder is required to transmit electronically via PARITY® an unconditional bid specifying the lowest rate or rates of interest and the purchase price (not less than par) at which the bidder will purchase the Series 2024A Bonds. Each bid must be for all the Series 2024A Bonds herein offered for sale.

For information purposes only, bidders are requested to state in their bids the effective interest rate for the Series 2024A Bonds represented on a TIC basis, as described under "Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

No bids will be accepted in written form, by facsimile transmission or in any other medium or on any system other than by means of PARITY®; provided, however, that in the event a prospective bidder cannot access PARITY®, through no fault of its own, it may so notify the office of the Municipal Advisor by telephone at 801.844.7373. Thereafter, it may submit its bid by telephone to the Municipal Advisor at 801.844.7379, before the time bids are due as stated above, on the 2024 Sale Date. For purposes of bids submitted telephonically to the Municipal Advisor (as described above), the time as maintained by PARITY®, shall constitute the official time. Each bid submitted as provided in the preceding sentence must specify the interest rate or rates for the Series 2024A Bonds and the total purchase price of all of the Series 2024A Bonds. The Municipal Advisor will seal transcribed telephonic bids for submission. Neither the City nor the Municipal Advisor assume any responsibility or liability from the failure of any such transcribed telephonic bid (whether such failure arises from equipment failure, unavailability of phone lines or otherwise). No bid will be received after the time for receiving such bids specified above.

If requested by the Municipal Advisor, the apparent successful bidder(s) will provide written confirmation of its bid (by electronic means) to the Municipal Advisor prior to 2:00 p.m., M.D.T., on the 2024 Sale Date.

Right of Cancellation

The successful bidder(s) shall have the right, at its option, to cancel its obligation to purchase the Series 2024A Bonds if the City shall fail to execute the Series 2024A Bonds and tender the same for delivery within 60 days from the date of sale thereof, and in such event the successful bidder(s) shall be entitled to the return of the Deposit.

Award

Award or rejection of bids will be made on the 2024 Sale Date. The Series 2024A Bonds will be awarded to the responsible bidder offering to pay the lowest effective interest cost to the City, computed from the date of the Series 2024A Bonds to maturity and taking into consideration the premium, if any, in the purchase price of the Series 2024A Bonds. The effective interest rate to the City shall be the interest rate per annum determined on a per annum true interest cost ("TIC") based on the discounting of the scheduled semiannual debt service payments of the City on the Series 2024A Bonds (based on such rate or rates of interest so bid) to the dated date of the Series 2024A Bonds, compounded semiannually, and to the bid price, excluding accrued interest, if any, to the date of delivery. Interest cost shall be computed on a 360-day year of 12, 30-day months.

Good Faith Deposit

A good faith deposit (the "Deposit") in the amount of \$400,000 is required only from the successful bidder. The Deposit shall be payable to the order of the City in the form of a wire transfer in federal funds as instructed by the

Municipal Advisor no later than 12:00 noon., M.D.T., on the 2024 Sale Date. As an alternative to wiring funds, a bidder may deliver a cashier's or certified check, payable to the order of the City. If a check is used, it must precede each bid. Such check shall be promptly returned to its respective bidder whose bid is not accepted.

The City shall, as security for the faithful performance by the successful bidder of its obligation to take up and pay for the Series 2024A Bonds when tendered, cash the Deposit check, if applicable, of the successful bidder and, hold the proceeds of the Deposit of the successful bidder, or invest the same (at the City's risk) in obligations which mature at or before the delivery of the Series 2024A Bonds as described under the caption "Manner and Time of Delivery" below, until disposed of as follows: (a) at such delivery of the Series 2024A Bonds and upon compliance with the successful bidder's obligation to take up and pay for the Series 2024A Bonds, the full amount of the Deposit held by the City, without adjustment for interest, shall be applied toward the purchase price of the Series 2024A Bonds at that time and the full amount of any interest earnings thereon shall be retained by the City; and (b) if the successful bidder fails to take up and pay for the Series 2024A Bonds when tendered, the full amount of the Deposit plus any interest earnings thereon will be forfeited to the City as liquidated damages.

Sale Reservations

The City reserves the right: (1) to waive any irregularity or informality in any bid or in the bidding process; (2) to reject any and all bids for the Series 2024A Bonds; and (3) to resell the Series 2024A Bonds as provided by law.

Manner and Time of Delivery

The successful bidder will be given at least five business days advance notice of the proposed date of the delivery of the Series 2024A Bonds when that date has been determined. It is now estimated that the Series 2024A Bonds will be delivered in book-entry form on or about Thursday, April 11, 2024. Delivery of the Series 2024A Bonds will be made in Salt Lake City, Utah. The successful bidder must also agree to pay for the Series 2024A Bonds in federal funds which will be immediately available to the City on the day of delivery.

CUSIP Numbers

It is anticipated that CUSIP numbers will be printed on the Series 2024A Bonds, at the expense of the City, but neither the failure to print such numbers on any Series 2024A Bond nor any error with respect thereof shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Series 2024A Bonds in accordance with terms of this Official Notice of Bond Sale.

Tax Status

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, interest on the Series 2024A Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The above opinions are subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2024A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Series 2024A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2024A Bonds.

In the opinion of Bond Counsel to the City, interest on the Series 2024A Bonds is exempt from State of Utah individual income taxes.

Bond Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of or the accrual or receipt of interest on the Series 2024A Bonds.

Establishment of Issue Price

The successful bidder shall assist the City in establishing the issue price of the Series 2024A Bonds and shall execute and deliver to the City on the date of issuance of the Series 2024A Bonds an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Series 2024A Bonds, substantially in the form attached hereto as *Exhibit A*, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the City and Bond Counsel. All actions to be taken by the City under this Official Notice of Bond Sale to establish the issue price of the Series 2024A Bonds may be taken on behalf of the City by the Municipal Advisor identified herein and any notice or report to be provided to the City may be provided to the Municipal Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Series 2024A Bonds) will apply to the initial sale of the Series 2024A Bonds (the “competitive sale requirements”) because:

- (i) the City shall disseminate this Official Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (ii) all bidders shall have an equal opportunity to bid;
- (iii) the City may receive bids from at least three underwriters of municipal obligations who have established industry reputations for underwriting new issuances of municipal obligations; and
- (iv) the City anticipates awarding the sale of the Series 2024A Bonds to the bidder who submits a firm offer to purchase the Series 2024A Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Bond Sale.

Any bid submitted pursuant to this Official Notice of Bond Sale shall be considered a firm offer for the purchase of the Series 2024A Bonds, as specified in the bid.

In the event the competitive sale requirements are not satisfied, the City shall so advise the successful bidder. The City shall then treat (i) the first price at which 10% of a maturity of the Series 2024A Bonds (the “10% Test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Series 2024A Bonds as the issue price of the maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis. The successful bidder shall advise the City if any maturity of the Series 2024A Bonds satisfies the 10% Test as of the date and time of the award of the Series 2024A Bonds. The City shall promptly advise the successful bidder, at or before the time of award of the Series 2024A Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within the maturity) of the Series 2024A Bonds shall be subject to the 10% test or shall be subject to the hold-the offering-price rule. Bids will not be subject to cancellation in the event that the City determines to apply the hold-the offering price rule to any maturity of the Series 2024A Bonds. ***Bidders should prepare their bids on the assumption that some or all of the maturities of the Series 2024A Bonds will be subject to the hold-the offering-price rule in order to establish the issue price of the Series 2024A Bonds.***

By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Series 2024A Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the winner bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Series 2024A Bonds, that the underwriters will neither offer nor sell unsold Series 2024A Bonds of any maturity to which the hold-the offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Series 2024A Bonds to the public at a price that is no higher than the initial offering price to the public.

The successful bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Series 2024A Bonds to the public at a price that is not higher than the initial offering price to the public.

If the competitive sale requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Series 2024A Bonds, the successful bidder agrees to promptly report to the City the prices at which the unsold Series 2024A Bonds of that maturity have been sold to the public. If as of the award of the Series 2024A Bonds the 10% Test has not been satisfied as to any maturity of the Series 2024A Bonds, the successful bidder agrees to promptly report to the City the prices at which it subsequently sells Series 2024A Bonds of that maturity to the public until the 10% Test is satisfied. If the Series 2024A Bonds constituting the first 10% of a certain maturity are sold at different prices, the successful bidder shall report to the City the prices at which Series 2024A Bonds of such maturity are sold until either (i) all Series 2024A Bonds of that maturity have been sold or (ii) the successful bidder sells 10% of the Series 2024A Bonds of such maturity at a single price. The winning bidder’s reporting obligation shall continue as set forth above, whether or not the date of issuance of the Series 2024A Bonds has occurred provided that, the successful bidder’s reporting obligation after the date of issuance may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Series 2024A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2024A Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2024A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Series 2024A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2024A Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the 2024A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the 2024A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2024A Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the 2024A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2024A Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Series 2024A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2024A Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Series 2024A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable;

(A) to report the prices at which it sells to the public the unsold Series 2024A Bonds of each maturity allocated to it, whether or not the date of issuance has occurred, until either all Series 2024A Bonds of that maturity allocated to it have been sold or it is notified by the successful bidder that the 10% Test has been satisfied as to the Series 2024A Bonds of that maturity; provided that, the reporting obligation after the date of issuance may be at reasonable periodic intervals or otherwise upon request of the successful bidder,

(B) to promptly notify the successful bidder of any sales of Series 2024A Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Series 2024A Bonds to the public (each such term being used as defined below),

(C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the successful bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public; and

(D) any agreement among underwriters or selling group agreement relating to the initial sale of the Series 2024A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Series 2024A Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the public the unsold Series 2024A Bonds of each maturity allocated to it, whether or not the date of issuance has occurred, until either all Series 2024A Bonds of that maturity allocated to it have been sold or it is notified by the successful bidder or such underwriter that the 10% Test has been satisfied as to the Series 2024A Bonds of that maturity; provided that the reporting obligation after the date of issuance may be at reasonable periodic intervals or otherwise upon request of the successful bidder or such underwriter.

Sales of any Series 2024A Bonds to any person that is a related party to an underwriter participating in the initial sale of the Series 2024A Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Official Notice of Bond Sale. Further, for purposes of this Official Notice of Bond Sale:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2024A Bonds to

the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2024A Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2024A Bonds to the public),

(iii) a purchaser of any of the Series 2024A Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date that the Series 2024A Bonds are awarded by the City to the successful bidder.

Legal Opinion and Closing Certificates

The approving opinion and the disclosure opinion of Gilmore & Bell, P.C., Bond Counsel to the City, covering the legality of the Series 2024A Bonds and passing on certain legal matters regarding the Official Statement, respectively, will be furnished to the successful bidder without charge. There will also be furnished the usual closing certificates dated as of the date of delivery of and payment for the Series 2024A Bonds, including an opinion from the office of the City Attorney that there is no litigation pending or, to the knowledge of the signer thereof, threatened, affecting the validity of the Series 2024A Bonds.

Disclosure

The City will deliver to the successful bidder a certificate of officer(s) of the City, dated the date of the delivery of the Series 2024A Bonds, stating that as of the date thereof, to the best of the knowledge and belief of said officer(s): (a) the descriptions and statements contained in the Preliminary Official Statement circulated with respect to the Series 2024A Bonds were at the time of the acceptance of the bid true and correct in all material respects and did not at the time of the acceptance of the bid contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (b) the descriptions and statements contained in the Final Official Statement relating to the Series 2024A Bonds are at the time of delivery of the Series 2024A Bonds true and correct in all material respects and do not at the time of the delivery of the Series 2024A Bonds contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, should the final Official Statement be supplemented or amended subsequent to the date thereof, the foregoing confirmation as to the final Official Statement shall relate to the final Official Statement as so supplemented or amended.

The City has retained Gilmore & Bell, P.C. to act as Disclosure Counsel to the City with respect to the Series 2024A Bonds and in its capacity as Disclosure Counsel, such firm will review the contents of the Preliminary Official Statement and final Official Statement. Gilmore & Bell, P.C. will deliver a letter to the successful bidder for the Series 2024A Bonds with respect to the Preliminary Official Statement and the final Official Statement which will state, in effect, that, while the firm has not verified and is not passing upon, and does not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the final Official Statement, based upon participation in conferences and in reliance thereon with various representatives of the City, and representatives of the Municipal Advisor for the City at which the contents of the Preliminary Official Statement and the final Official Statement were discussed and reviewed, without independent verification, no information came to the attention of the attorneys of such firm rendering legal services in connection with such retention which lead such attorneys to believe that either (a) the Preliminary Official Statement as of its date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (b) the final Official Statement contained as of its date, or as of the date of the delivery of the Series 2024A Bonds contains, any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. However, such firm will not be called upon to and will not express an opinion or belief as to information relating to the book-entry system or the expressions of opinion, the assumptions, the projections, financial statements (including notes and schedules thereto) or other financial, operating, economic, demographic and statistical data contained in the Preliminary Official Statement and the final Official Statement.

Official Statement

Copies of the City’s Preliminary Official Statement may be obtained as specified below prior to the time bids are taken. The Preliminary Official Statement is in a form “deemed final” by the City for purposes of paragraph (b)(1) of Rule 15c2–12 of the Securities and Exchange Commission, but is subject to revision, amendment and completion in a final Official Statement.

The City shall deliver to the successful bidder no later than the seventh business day after the award of the Series 2024A Bonds as described under the caption “Award” above, an electronic copy of the final Official Statement in form sufficient to comply with paragraph (b)(4) of Rule 15c2–12 of the Securities and Exchange Commission and the rules of the Municipal Securities Rulemaking Board.

Continuing Disclosure Undertaking

Pursuant to Securities and Exchange Commission Rule 15c2–12, the City will undertake in a Continuing Disclosure Undertaking to provide certain ongoing disclosure, including annual operating data and financial information (including audited financial statements) and notices of the occurrence of certain material events. A form of the Continuing Disclosure Undertaking is attached to the Preliminary Official Statement.

Additional Information

For copies of this Official Notice of Bond Sale, the Preliminary Official Statement and information regarding the electronic bidding procedures and other related information, contact Johnathan Ward (johnathan.ward@zionsbancorp.com) or Jeanette Harris (jeanette.harris@zionsbancorp.com), Zions Public Finance, Inc., One South Main Street, 18th Floor, Salt Lake City, Utah 84133–1109; 801.844.7373; the Municipal Advisor to the City.

Dated this 15 day of March 2024.

Spanish Fork City, Utah

EXHIBIT A

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF PURCHASER] (herein, the “Original Purchaser”), as the Original Purchaser of the \$[] Sewer Revenue Bonds, Series 2024A, (the “Series 2024A Bonds”), being issued on the date of this certificate by Spanish Fork City, Utah (the “City”), certifies and represents as follows:

1. Public Offering. The Original Purchaser offered all of the Series 2024A Bonds to the Public (as defined below) in a bona fide initial offering.

2. Reasonably Expected Initial Offering Price. As of the sale date of the Series 2024A Bonds (March 27, 2024) (the “Sale Date”), the reasonably expected initial offering prices of the Series 2024A Bonds to the Public by the Original Purchaser are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Series 2024A Bonds used by the Original Purchaser in formulating its bid to purchase the Series 2024A Bonds.

[2. *[To be used if there are not at least 3 bids received]* As of the date of this certificate, the first price at which at least 10% of [each maturity] [the indicated maturities] of the Series 2024A Bonds was sold to the Public are the prices listed in Schedule A.

[As of the date of this certificate, the Original Purchaser has not sold at least 10% of [each maturity] [certain maturities] of the Series 2024A Bonds at any price (the “Undersold Maturities”). For each Undersold Maturity listed on Schedule A the Original Purchaser will provide the price or prices at which the first 10% of each such Undersold Maturity was sold to the Public promptly following the date that the first 10% of each such Undersold Maturity is sold to the Public.]]

3. Defined Terms.

(a) *Maturity* means Series 2024A Bonds with the same credit and payment terms. Series 2024A Bonds with different maturity dates, or Series 2024A Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” as defined in U.S. Treasury Regulation Section 1.150–1(b) which generally provides that the term related party means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(c) *Underwriter* means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2024A Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2024A Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2024A Bonds to the Public).

On the Sale Date the Underwriter purchased the Series 2024A Bonds from the City by submitting electronically an “Official Bid Form” responsive to an “Official Notice of Bond Sale” and having its bid accepted by the City. The City has not modified the terms of the purchase since the Sale Date.

The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the No Arbitrage and Tax Certificate and with respect to compliance with the federal income tax rules affecting the Series 2024A Bonds, and by Bond Counsel in connection with rendering its opinion that the interest on the Series 2024A Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038–G, and other federal income tax advice that it may give to the City from time to time relating to the Series 2024A Bonds.

IN WITNESS WHEREOF, the undersigned has hereunto fixed his or her official signature this ____ day of _____, 2024.

[PURCHASER], as Original Purchaser

By: _____

Title: _____

Dated: [ISSUE DATE]

To Be Attached:

SCHEDULE A—EXPECTED OFFERING PRICES

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PRELIMINARY OFFICIAL STATEMENT



\$40,100,000*

Spanish Fork City, Utah

Sewer Revenue Bonds, Series 2024A

On Wednesday, March 27, 2024, up to 9:15:00 A.M., M.D.T., electronic bids will be received by means of the **PARITY®** electronic bid submission system. See the “OFFICIAL NOTICE OF BOND SALE—Procedures Regarding Electronic Bid-ding.”

The 2024A Bonds, as defined herein, will be awarded to the successful bidder(s) and issued pursuant to a resolution of Spanish Fork City, Utah adopted on December 12, 2023.

Spanish Fork City, Utah has deemed this PRELIMINARY OFFICIAL STATEMENT final as of the date hereof, for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission, subject to completion with certain information to be established at the time of sale of the 2024A Bonds as permitted by the Rule.

For copies of the OFFICIAL NOTICE OF BOND SALE, the PRELIMINARY OFFICIAL STATEMENT and other related information with respect to the 2024A Bonds, contact the Municipal Advisor:



ZIONS PUBLIC FINANCE, INC.

**One S Main St 18th Fl
Salt Lake City UT 84133-1109
801.844.7373**

jeanette.harris@zionsbancorp.com

This PRELIMINARY OFFICIAL STATEMENT is dated March 15, 2024 and the information contained herein speaks only as of that date.

* Preliminary; subject to change.

(This page has been intentionally left blank.)

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 15, 2024

NEW ISSUE
Book—Entry Only

Rating: S&P “AA-” (stable outlook)
See “MISCELLANEOUS—Bond Rating” herein.

In the opinion of Gilmore & Bell, P.C., Bond Counsel to Spanish Fork, Utah under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on the 2024A Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that the interest on the 2024A Bonds is exempt from State of Utah individual income taxes. Bond Counsel notes that interest on the 2024A Bonds may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax. See “TAX MATTERS” herein.



\$40,100,000* **Spanish Fork City, Utah** **Sewer Revenue Bonds, Series 2024A**

The \$40,100,000* Sewer Revenue Bonds, Series 2024A are issued by the City as fully-registered bonds and, when initially issued, will be in book-entry form, registered in the name of Cede & Co., as nominee for DTC. DTC will act as securities depository for the 2024A Bonds.

Principal of and interest on the 2024A Bonds (interest payable March 1 and September 1 of each year, commencing September 1, 2024) are payable by Zions Bancorporation, National Association, Salt Lake City, Utah, as Paying Agent, to the registered owners thereof, initially DTC. See “THE 2024A Bonds—Book—Entry System” herein.

The 2024A Bonds are subject to optional redemption prior to maturity and may be subject to mandatory sinking fund redemption at the option of the successful bidder(s). See “THE 2024A BONDS—Redemption Provisions” and “—Mandatory Sinking Fund Redemption At Bidder’s Option” herein.

The 2024A Bonds are being issued to fund certain sewer improvements to the City’s public works facilities and for the payment of costs associated with the issuance of the 2024A Bonds. See “THE 2024A BONDS—Estimated Sources And Uses Of Funds” and “THE 2024 PROJECT” herein. The 2024A Bonds will be equally and ratably secured under the Indenture.

The 2024A Bonds are limited obligations of the City, payable solely from Net Revenues of the System, as described herein. Neither the credit nor the taxing power of the City or the State of Utah or any agency, instrumentality or political subdivision thereof is pledged for the payment of the principal of or interest on the 2024A Bonds. The 2024A Bonds are not general obligations of the City or the State of Utah or any agency, instrumentality, or political subdivision thereof. The issuance on the 2024A Bonds shall not directly, indirectly, or contingently obligate the City or the State of Utah or any agency, instrumentality, or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for the payment of the 2024A Bonds. The City will not mortgage or grant a security interest in the System or any portion thereof to secure the payment of the Series 2024A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024A BONDS” herein.

Dated: Date of Delivery¹

Due: September 1, as shown on inside front cover

See the inside front cover for the maturity schedule of the 2024A Bonds

The 2024A Bonds will be awarded pursuant to competitive bidding received by means of the **PARITY**® electronic bid submission system on Wednesday, March 27, 2024, as set forth in the OFFICIAL NOTICE OF BOND SALE (dated as of the date of this PRELIMINARY OFFICIAL STATEMENT).

Zions Public Finance, Inc., Salt Lake City, Utah, is acting as Municipal Advisor.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to the making of an informed investment decision.

This OFFICIAL STATEMENT is dated March __, 2024, and the information contained herein speaks only as of that date.

* Preliminary; subject to change.

¹ The anticipated date of delivery is Thursday, April 11, 2024.

Spanish Fork City, Utah

\$40,100,000*

Sewer Revenue Bonds, Series 2024A

Dated: Date of Delivery¹

Due: September 1, as shown below

<u>Due September 1</u>	<u>CUSIP[®] 846463</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield/Price</u>
2025		\$1,210,000		
2026		1,275,000		
2027		1,340,000		
2028		1,410,000		
2029		1,480,000		
2030		1,555,000		
2031		1,635,000		
2032		1,720,000		
2033		1,810,000		
2034		1,900,000		
2035		2,000,000		
2036		2,100,000		
2037		2,210,000		
2038		2,320,000		
2039		2,430,000		
2040		2,525,000		
2041		2,630,000		
2042		2,735,000		
2043		2,850,000		
2044		2,965,000		

\$_____ % Term Bond due September 1, 20__—Price _____% (CUSIP[®]__)

* Preliminary; subject to change.

¹ The anticipated date of delivery is Thursday, April 11, 2024.

[®] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association.

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This OFFICIAL STATEMENT does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of, the 2024A Bonds (as defined herein), by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other informational representations must not be relied upon as having been authorized by either Spanish Fork City, Utah (the “City”); Zions Bancorporation, National Association, Salt Lake City, Utah (as Trustee, Bond Registrar and Paying Agent); Zions Public Finance, Inc., Salt Lake City, Utah (as Municipal Advisor); the successful bidder(s); or any other entity. All other information contained herein has been obtained from the City, The Depository Trust Company, New York, New York and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor the issuance, sale, delivery or exchange of the 2024A Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the City since the date hereof.

The 2024A Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such act and laws. Any registration or qualification of the 2024A Bonds in accordance with applicable provisions of the securities laws of the states in which the 2024A Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is unlawful.

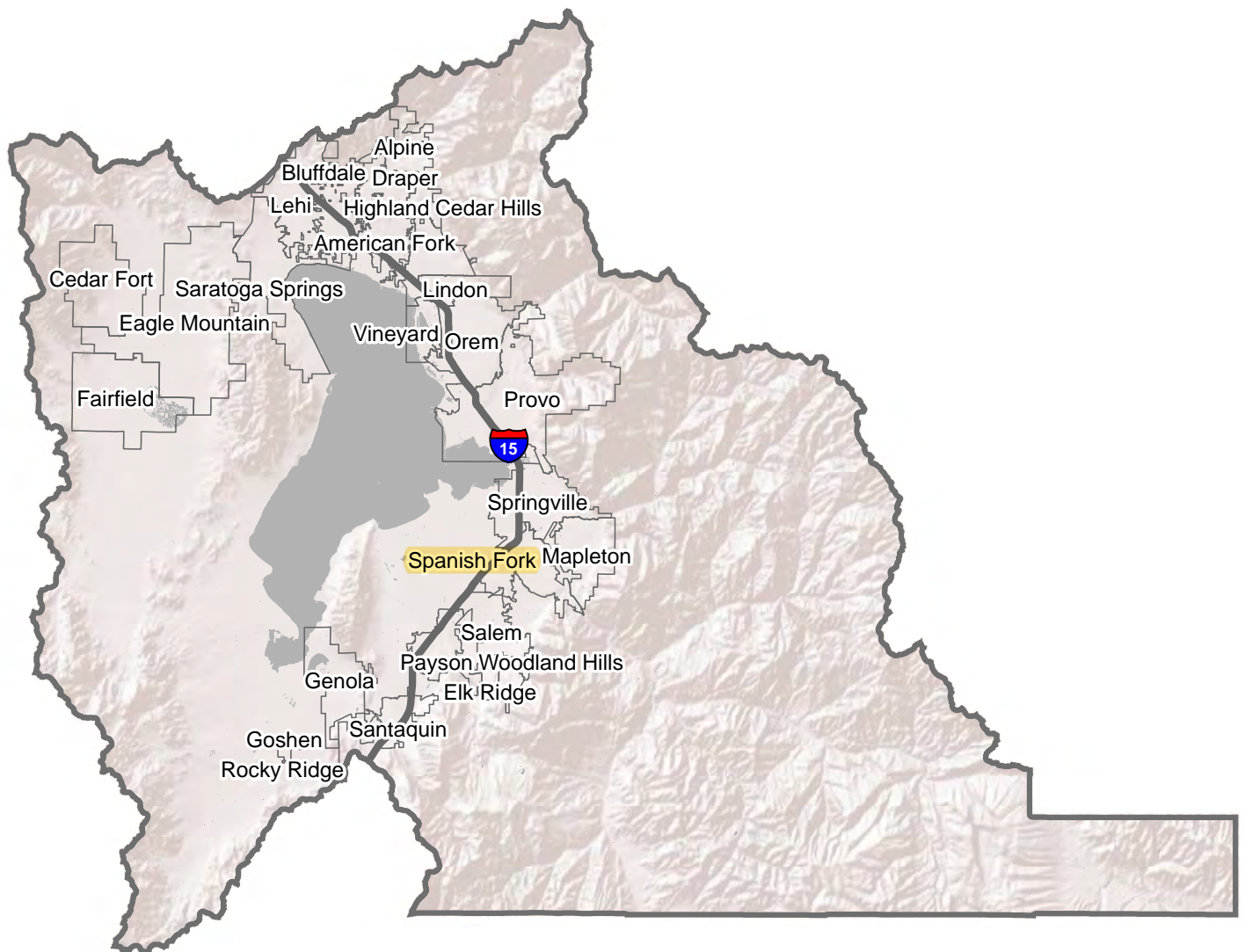
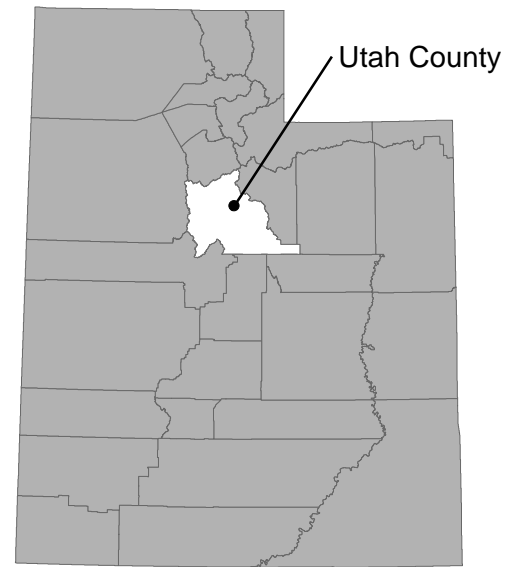
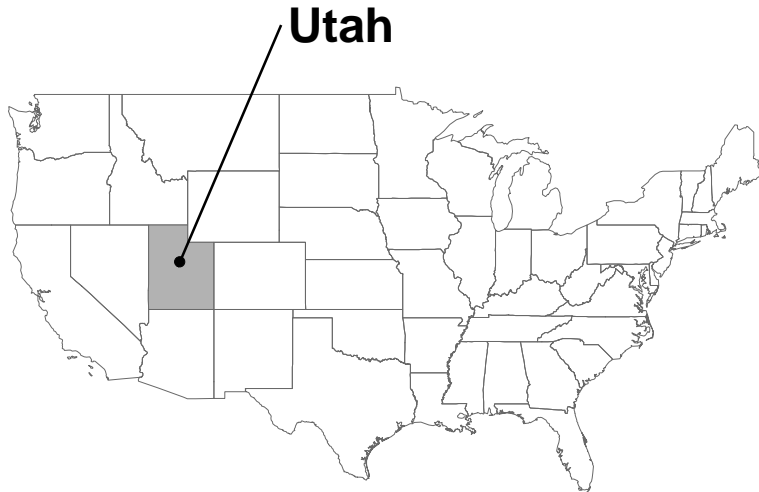
The yields/prices at which the 2024A Bonds are offered to the public may vary from the initial reoffering yields/prices on the inside cover page of this OFFICIAL STATEMENT. In addition, the successful bidder(s) may allow concessions or discounts from the initial offering prices of the 2024A Bonds to dealers and others. In connection with the offering of the 2024A Bonds, the successful bidder(s) may engage in transactions that stabilize, maintain, or otherwise affect the price of the 2024A Bonds. Such transactions may include overallotments in connection with the purchase of 2024A Bonds, the purchase of 2024A Bonds to stabilize their market price and the purchase of 2024A Bonds to cover the successful bidders’ short positions. Such transactions, if commenced, may be discontinued at any time.

Forward-Looking Statements. Certain statements included or incorporated by reference in this OFFICIAL STATEMENT constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as “plan,” “project,” “forecast,” “expect,” “estimate,” “budget” or other similar words. ***The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See “PROJECTED DEBT SERVICE COVERAGE” herein.***

The CUSIP® (the Committee on Uniform Securities Identification Procedures) identification numbers are provided on the inside cover pages of this OFFICIAL STATEMENT and are being provided solely for the convenience of bondholders. Neither the City, Underwriter, or the Municipal Advisor make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP® number for a specific maturity is subject to being changed after the issuance of the Series 2024A Bonds as a result of various subsequent actions, including but not limited to a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2024A Bonds.

The information available at websites referenced in this OFFICIAL STATEMENT has not been reviewed for accuracy and completeness. Such information has not been provided in connection with the offering of the 2024A Bonds and is not a part of this OFFICIAL STATEMENT

Counties in Utah



Cities in Utah County

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OFFICIAL STATEMENT RELATED TO:

\$40,100,000*

Spanish Fork City, Utah Sewer Revenue Bonds, Series 2024A

INTRODUCTION

This introduction is only a brief description of the 2024A Bonds, as hereinafter defined, the security and source of payment for the 2024A Bonds and certain information regarding Spanish Fork City, Utah (the “City”). The information contained herein is expressly qualified by reference to the entire OFFICIAL STATEMENT. Investors are urged to make a full review of the entire OFFICIAL STATEMENT as well as the documents summarized or described herein.

See the following appendices that are attached hereto and incorporated herein by reference: “APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2023;” “APPENDIX B—THE GENERAL INDENTURE OF TRUST;” “APPENDIX C—FORM OF OPINION OF BOND COUNSEL;” “APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING;” and “APPENDIX E—BOOK-ENTRY SYSTEM. ”

When used herein the terms “Fiscal Year[s] 20YY” or “Fiscal Year[s] End[ed][ing] June 30, 20YY” shall refer to the year ended or ending on June 30 of the year indicated and beginning on July 1 of the preceding calendar year. Unless otherwise indicated, capitalized terms used in this OFFICIAL STATEMENT shall have the meaning established in the Indenture (as hereinafter defined). See “APPENDIX B—THE GENERAL INDENTURE OF TRUST.”

Public Sale/Electronic Bid

The 2024A Bonds will be awarded pursuant to competitive bidding received by means of the PARITY® electronic bid submission system on Wednesday, March 27, 2024, pursuant to the OFFICIAL NOTICE OF BOND SALE (dated March 15, 2024).

See the “OFFICIAL NOTICE OF BOND SALE” above.

Spanish Fork City, Utah

The City, incorporated in 1855, covers an area of approximately 14.3 square miles and is located in the southern portion of Utah County, Utah (the “County”). The City is located approximately eight miles south of Provo City, Utah. The City had 44,102 residents according to the 2022 U.S. Census Bureau estimate. The County is situated in the north central portion of the State of Utah (the “State”). Incorporated in 1850, the County is bordered on the north by Salt Lake County, Utah and encompasses approximately 2,000 square miles of land. The County had 702,434 residents in 2022 according to the U.S. Census Bureau estimate, ranking the County as the second largest populated county in the State. See “SPANISH FORK CITY, UTAH” herein.

The 2024A Bonds

This OFFICIAL STATEMENT, including the cover page, introduction, and appendices, provides information in connection with the issuance and sale by the City of its \$40,100,000* Sewer Revenue Bonds, Series 2024A (the “2024A Bonds or “2024A Bond”), initially issued in book-entry form.

The 2024A Bonds are the second series of bonds to be issued under the Indenture.

* Preliminary; subject to change.

Authorization And Purpose Of The 2024A Bonds

Authorization. The 2024A Bonds are being issued (i) under the Local Government Bonding Act, Chapter 14 of Title 11, Utah Code Annotated 1953, as amended (the “Utah Code”), and (ii) a General Indenture of Trust, dated as of August 1, 2020 (the “General Indenture”) between the City and Zions Bancorporation, National Association, Salt Lake City, Utah, as trustee (the “Trustee”), as heretofore supplemented and further supplemented by a Second Supplemental Indenture of Trust, dated as of April 1, 2024, between the City and the Trustee (the “Second Supplemental Indenture”) providing for the issuance of the 2024A Bonds. The General Indenture, together with all amendments or supplements thereto, including without limitation the Second Supplemental Indenture, is sometimes referred to collectively herein, as the “Indenture.”

Purpose. The 2024A Bonds are being issued to (a) finance the construction of additions and improvements to the City’s sewer facilities (the “System”) and all related improvements (the “2024 Project”) and (b) pay costs associated with the issuance of the 2024A Bonds. See “THE 2024A BONDS—Estimated Sources And Uses Of Funds” and “THE 2024 PROJECT” herein.

Outstanding Parity Bonds

2020 Bonds. The City has outstanding under the Indenture its \$73,345,000 (original principal amount) Sewer Revenue Bonds, Series 2020, dated August 5, 2020, currently outstanding in the aggregate principal amount of \$70,550,000 (the “2020 Bonds”).

2024B Bonds. Concurrently with the issuance of the 2024A Bonds, the City is issuing its \$4,500,000* Sewer Revenue Bonds, Series 2024B (the “2024B Bonds”) as a direct purchase with the Utah Department of Water Quality. The 2024B Bonds are being issued under the Indenture for the purpose of financing improvements to the System. The 2024B Bonds are expected to close on or shortly after the closing of the 2024A Bonds and as of the date of this OFFICIAL STATEMENT the 2024B Bonds are considered outstanding.

Additional Bonds

Additional Bonds. The City may issue under the Indenture any additional bonds, notes or other obligations (the “Additional Bonds”) secured on a parity lien with the 2020 Bonds, the 2024A Bonds and the 2024B Bonds. The 2020 Bonds, the 2024A, the 2024B Bonds and any Additional Bonds which may be issued from time to time under the Indenture are collectively referred to herein as the “Bonds.”

See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024A BONDS—Issuance Of Additional Bonds” herein.

Rate Covenant

The City covenants and agrees in the Indenture to establish, fix, prescribe and collect rates, charges and fees for the sale or use of System services furnished by the City that are reasonably expected to yield Net Revenues at least equal to the Rate Covenant Requirement (defined herein) for the forthcoming Fiscal Year. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024A BONDS—Rate Covenant” herein.

Security For The 2024A Bonds

The 2024A Bonds are payable solely from the Net Revenues of the System. The 2024A Bonds will be issued on a parity basis with any Additional Bonds, defined herein, which may be issued from time to time under the Indenture. Revenues of the System are applied to pay the System’s Operation and Maintenance Expenses before being applied to pay principal of and interest on the 2024A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024A BONDS” herein.

The 2024A Bonds are not a general obligation of the City, the State of Utah or any agency, instrumentality, or political subdivision thereof. Neither the full faith and credit nor the taxing authority of the City, the State of Utah or any agency, instrumentality or political subdivision thereof will be assigned or pledged for payment of the 2024A Bonds. The City will not mortgage or grant a security interest in the System to secure payment of the 2024A Bonds.

See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024A BONDS” herein.

* Preliminary; subject to change.

Redemption Provisions

The 2024A Bonds are subject to optional redemption prior to maturity and may be subject to mandatory sinking fund redemption at the option of the successful bidder(s). See “THE 2024A BONDS—Redemption Provisions” and “—Mandatory Sinking Fund Redemption At Bidder’s Option” herein.

Registration, Denominations, Manner Of Payment

The 2024A Bonds are issuable only as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, (“DTC”). DTC will act as securities depository of the 2024A Bonds. Purchases of 2024A Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC’s Participants (as defined herein). Beneficial Owners (as defined herein) of the 2024A Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2024A Bonds. “Direct Participants,” “Indirect Participants” and “Beneficial Owners” are defined under “APPENDIX E—BOOK-ENTRY SYSTEM.”

Principal of and interest on the 2024A Bonds (interest payable March 1 and September 1 of each year, commencing September 1, 2024) are payable by Zions Bancorporation, National Association, Salt Lake City, Utah, as Paying Agent for the 2024A Bonds, to the registered owners of the 2024A Bonds. So long as Cede & Co. is the sole registered owner, it will, in turn, remit such principal and interest to its Direct Participants, for subsequent disbursements to the Beneficial Owners of the 2024A Bonds, as described under “APPENDIX E—BOOK-ENTRY SYSTEM.”

So long as DTC or its nominee is the sole registered owner of the 2024A Bonds, neither the City nor the Trustee will have any responsibility or obligation to any Direct or Indirect Participants of DTC, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, Indirect Participants or the Beneficial Owners of the 2024A Bonds. Under these same circumstances, references herein and in the Indenture to the “Bondowners” or “Registered Owners” of the 2024A Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2024A Bonds.

Tax-Exempt Status Of The 2024A Bonds

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), the interest on the 2024A Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel notes that interest on the 2024A Bonds may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax. Bond Counsel is also of the opinion that the interest on the 2024A Bonds is exempt from State of Utah individual income taxes.

See “TAX MATTERS” herein.

Bond Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the 2024A Bonds.

Professional Services

In connection with the issuance of the 2024A Bonds, the following have served the City in the capacity indicated.

(The remainder of this page has been intentionally left blank.)

Trustee, Bond Registrar, Paying Agent

Zions Bancorporation, National Association
Corporate Trust Department
One S Main St 12th Fl
Salt Lake City UT 84133
801.844.5428 | f 801.547.5428
carrie.sandoval@zionsbancorp.com

City Attorney

Vaughn Pickell
40 S Main St
Spanish Fork UT 84660
801.804.4676
vpickell@spanishfork.org

Bond Counsel and Disclosure Counsel

Gilmore & Bell, P.C.
15 W South Temple Ste 1450
Salt Lake City, UT 84101
801.364.5080 | f 801.364.5032
rlarsen@gilmorebell.com

Municipal Advisor

Zions Public Finance, Inc.
One S Main St 18th Fl
Salt Lake City UT 84133-1109
801.844.7379
johnathan.ward@zionsbancorp.com

Conditions Of Delivery, Anticipated Date, Manner, And Place Of Delivery

The 2024A Bonds are offered, subject to prior sale, when, as and if issued and received by the successful bidder(s), subject to the approval of legality by Gilmore & Bell P.C., Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed on for the City by the City Attorney, Vaughn Pickell. Certain matters relating to disclosure will be passed on for the City by Gilmore & Bell P.C., as disclosure counsel to the City. It is expected that the 2024A Bonds, in book-entry form, will be available for delivery to DTC or its agent on or about Thursday, April 11, 2024.

Continuing Disclosure Undertaking

The City will enter into a continuing disclosure undertaking for the benefit of the Beneficial Owners of the 2024A Bonds. For a detailed discussion of this undertaking and timing of submissions see “CONTINUING DISCLOSURE UNDERTAKING” herein and “APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

Basic Documentation

This OFFICIAL STATEMENT speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the City and the 2024A Bonds are included in this OFFICIAL STATEMENT. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture and the 2024A Bonds are qualified in their entirety by reference to each such document. See “APPENDIX B—THE GENERAL INDENTURE OF TRUST.”

Descriptions of the Indenture and the 2024A Bonds are qualified by reference to bankruptcy and other laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity having jurisdiction. See “APPENDIX B—THE GENERAL INDENTURE OF TRUST.” Other documentation authorizing the issuance of the 2024A Bonds and establishing the rights and responsibilities of the City and other parties to the transaction may be obtained from the “contact persons” as indicated herein.

Contact Persons

As of the date of this OFFICIAL STATEMENT, additional requests for information may be directed to Zions Public Finance, Inc., Salt Lake City, Utah (the “Municipal Advisor”):

Johnathan Ward, Senior Vice President, johnathan.ward@zionsbancorp.com
Jeanette Harris, Vice President, jeanette.harris@zionsbancorp.com

Zions Public Finance, Inc.
One S Main St 18th Fl
Salt Lake City UT 84133-1109
801.844.7373

As of the date of this OFFICIAL STATEMENT, the chief contact persons for the City concerning the 2024A Bonds are:

Seth Perrins, City Manager, sperrins@spanishfork.org
Jordan Hales, Finance Director, jhales@spanishfork.org

Spanish Fork City
40 S Main St
Spanish Fork, UT 84660
801.804 4500

CONTINUING DISCLOSURE UNDERTAKING

Continuing Disclosure Undertaking For 2024A Bonds

The City will enter into a Continuing Disclosure Undertaking (the “Disclosure Undertaking”) for the benefit of the Beneficial Owners of the 2024A Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system (“EMMA”) pursuant to the requirements of paragraph (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Disclosure Undertaking, including termination, amendment and remedies, are set forth in the form of Disclosure Undertaking in “APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

Based on prior disclosure undertakings the City submits its annual financial report (Fiscal Year Ending June 30) and other operating and financial information on or before February 5 of each year (not more than 220 days from the end of the Fiscal Year). The City will submit the Fiscal Year 2024 annual financial report and other required operating and financial information for the 2024A Bonds on or before February 5, 2025, and annually thereafter on or before each February 5.

During the five years prior to the date of this OFFICIAL STATEMENT, the City has not failed to comply in all material respects with its prior undertakings pursuant to the Rule.

A failure by the City to comply with the Disclosure Undertaking will not constitute a default under the Indenture and the Beneficial Owners of the 2024A Bonds are limited to the remedies described in the Disclosure Undertaking. A failure by the City to comply with the annual disclosure requirements of the Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2024A Bonds in the secondary market. Consequently, such a failure may adversely affect the marketability and liquidity of the 2024A Bonds and their market price.

Bond Counsel expresses no opinion as to whether the Disclosure Undertaking complies with the requirements of the Rule.

CERTAIN INVESTMENT CONSIDERATIONS

This section contains a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this OFFICIAL STATEMENT, in evaluating an investment in the 2024A Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the 2024A Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the 2024A Bonds are advised to consider the following factors, among others, and to review this entire OFFICIAL STATEMENT to obtain information essential to making of an informed investment decision. Any one or more of the investment considerations discussed below, among others, could adversely affect the financial condition of the City or its ability to make scheduled payments on the 2024A Bonds. There can be no assurance that other risks not discussed herein will not become material in the future.

General

The 2024A Bonds and any other Bonds hereafter issued pursuant to the Indenture are secured equally and ratably by a pledge of (i) the Net Revenues and (ii) moneys in funds and accounts held by the Trustee under the Indenture (except the Rebate

Fund). Future economic conditions, weather conditions, economic and employment trends and events, demographic changes, changes in federal and state policies and regulations, including environmental policies and regulations, and other factors may adversely affect the future financial condition of the System, and, consequently, the availability of Net Revenues. No assurance can be made that the Net Revenues of the System will be realized by the City in amounts sufficient to pay debt service on the 2024A Bonds when due.

Operation Of The System

In order for the City to make timely payment of the principal and interest requirements of the 2024A Bonds and to meet its other obligations under the Indenture, it will be necessary for the City to manage, operate and maintain the System in an efficient and economical manner that is consistent with prudent utility practice. The City is exempt from regulation by the Utah Public Service Commission, but the operation of the System is subject to the requirements of various governmental rules and regulations and the System must be operated in compliance with those requirements. In the event that the System is not operated or is not capable of operation as required by the provisions of such governmental rules and regulations, the City may be subject to certain penalties.

To the extent the System develops operational problems, Operation and Maintenance Expenses may need to be reduced or rates for the System may need to be increased to produce sufficient Revenues unless other sources of funds are obtained. In the event that Revenues need to be increased for the continued operation of the System (and to pay debt service on the 2024A Bonds), it may be necessary to increase rates for the System. The City has covenanted in the Indenture that it will ensure that the rates for all services supplied by the System to all customers within or without the boundaries of the City when combined with other Revenues, shall be sufficient to pay the Operation and Maintenance Expenses for the System, and to provide Net Revenues for each Bond Fund Year which when added to Other Available Funds shall equal not less than 125% of the Aggregate Annual Debt Service Requirement for such Bond Fund Year plus an amount sufficient to fund the Debt Service Reserve Fund in the time, rate and manner specified in the Indenture; provided, however, that pursuant to State law such rates must be reasonable rates for the type, kind and character of the service rendered. Furthermore, the City may decide not to make any rate increases due to political, feasibility or other concerns. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024A Bonds—Rate Covenant” herein.

No Debt Service Reserve Fund For The 2024A Bonds

Upon the issuance of the 2024A Bonds there will be no funding of an account in the Debt Service Reserve Fund with respect to the 2024A Bonds.

Destruction Of The System

The Indenture requires that the City, in its operation of the System, maintain insurance in such amounts and to such extent as is normally carried by other entities operating public utilities of the same size and type. In the event of any loss or damage, the Indenture requires that the proceeds of any insurance shall be used first for the purpose of restoring or replacing the property lost or damaged. Any remainder is to be paid into the Bond Fund. However, there can be no assurance that the proceeds of such insurance will be sufficient to restore or replace the lost or damaged property.

Damage to or destruction of the System may prevent the City from providing water service to some or all of its customers. In such event, the Net Revenues may decrease.

General Economic Conditions

The City relies on tax revenues and fees as the primary source of funds to operate city government and to pay its obligations. Regional and national economic conditions, such as, business cycles, unemployment, weather-related economic effects and consumer confidence, are outside of the control of the City and can have material adverse effects on the City’s revenues, and its ability to pay Base Rentals on the 2024 Project.

Climate Change Risk; Natural Disasters And Global Health Emergencies

Climate Change. There are potential risks within the State that are associated with changes to the climate over time and with increases in the frequency, timing, and severity of extreme weather events or droughts. The City cannot predict how or when various climate changes risks may occur, nor can it quantify the impact on the City.

While 2023 was one of the State’s wettest water years, certain areas of the State have experienced drought conditions for at least part of the year in each of the last 10 years. The State has experienced large wildfire/forest fire seasons in which air quality across the State has been negatively impacted (including diminished air quality from wildfires/forest fires located outside the State from drifting air currents). Wildfires/forest fires can impact the State’s economy; cause respiratory health problems; result in loss of infrastructure, homes, and property; and destroy forestland, wildlife habitat and other resources.

Natural Disasters. Natural disasters (include earthquakes, mudslides, wildfires/forest fires, heat waves, floods, wind-storms, droughts, and avalanches) may occur which may affect the City. The State is in a region of seismic activity subject to earthquakes in varying strengths.

Global Health Emergencies. Regional, national, or global epidemics or pandemics, could have materially adverse local, regional, national, or global economic and social impacts. The City’s finances may be materially adversely affected by epidemics and pandemics.

The City cannot predict how or when any climate–change–related events, natural disasters, or health emergencies may occur; nor can it quantify the impact of such events on the City or its operations.

THE 2024A BONDS

General

The 2024A Bonds are dated the date of delivery¹ thereof (the “Dated Date”) and will mature on September 1 of the years and in the amounts as set forth on the inside cover page of this OFFICIAL STATEMENT.

The 2024A Bonds shall bear interest from the Dated Date at the rates set forth on the inside cover page of this OFFICIAL STATEMENT. Interest on the 2024A Bonds is payable semi–annually on each March 1 and September 1, commencing September 1, 2024. Interest on the 2024A Bonds shall be computed on the basis of a 360–day year comprised of 12, 30–day months. Zions Bancorporation, National Association, Salt Lake City, Utah, is the Bond Registrar, Paying Agent and Trustee with respect to the 2024A Bonds (in such respective capacities, the “Bond Registrar,” “Paying Agent” and “Trustee”).

The 2024A Bonds will be issued as fully–registered bonds, initially in book–entry form, in the denomination of \$5,000 or any integral multiple thereof, not exceeding the amount of each maturity.

Estimated Sources And Uses Of Funds

The proceeds from the sale of the 2024A Bonds are estimated to be applied as set forth below:

Sources:	
Par amount of 2024A Bonds.....	\$
[Net] Original issue premium	
Total	\$
Uses:	
Deposit into Construction Account.....	\$
Underwriter’s discount (successful bidder)	
Costs of issuance (1)	
Total.....	\$

(1) Includes legal fees, Municipal Advisor fees, rating agency fees, Trustee, Registrar, and Paying Agent fees, rounding amounts and other miscellaneous costs of issuance.

(Source: the Municipal Advisor.)

¹ The anticipated date of delivery is Thursday, April 11, 2024.

Redemption Provisions

Optional Redemption. The 2024A Bonds maturing on or prior to September 1, 2032, are not subject to redemption prior to maturity. The 2024A Bonds maturing on or after September 1, 2033, are subject to redemption at the option of the City on March 1, 2033, and on any date thereafter prior to maturity, in whole or in part, from such maturities or parts thereof as may be selected by the City, at a redemption price equal to 100% of the principal amount of the 2024A Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

Selection for Redemption. If less than all Bonds of a Series are to be redeemed, the maturities and principal amounts of such Bonds to be redeemed shall be selected by the City. If less than all 2024A Bonds of any maturity are to be redeemed, the particular 2024A Bonds or portion of 2024A Bonds of such maturity to be redeemed will be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate. The portion of any registered 2024A Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof, and in selecting portions of such 2024A Bonds for redemption, the Bond Registrar will treat each such 2024A Bond as representing that number of 2024A Bonds of \$5,000 denomination that is obtained by dividing the principal amount of such 2024A Bond by \$5,000.

Notice of Redemption. Notice of redemption will be given by the Bond Registrar by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, to the owner, as of the Record Date, as defined under “THE 2024A Bonds—Registration And Transfer; Record Date” herein, of each 2024A Bond that is subject to redemption, at the address of such owner as it appears on the registration books of the City kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such owner on or prior to the Record Date. Each notice of redemption will state the Record Date, the principal amount, the redemption date, the place of redemption, the redemption price and, if less than all of the 2024A Bonds are to be redeemed, the distinctive numbers of the 2024A Bonds or portions of 2024A Bonds to be redeemed, and will also state that the interest on the 2024A Bonds in such notice designated for redemption will cease to accrue from and after such redemption date and that on the redemption date there will become due and payable on each of the 2024A Bonds to be redeemed the principal thereof and interest accrued thereon to the redemption date.

Each notice of optional redemption may further state that such redemption will be conditioned upon the receipt by the Paying Agent, on or prior to the date fixed for redemption, of moneys sufficient to pay the principal of and premium, if any, and interest on such 2024A Bonds to be redeemed and that if such moneys have not been so received the notice will be of no force or effect and the City will not be required to redeem such 2024A Bonds. In the event that such notice of redemption contains such a condition, and such moneys are not so received, the redemption will not be made, and the Bond Registrar will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. A second notice of redemption shall be given, not later than 90 days subsequent to the redemption date; to Registered Owners of Bonds or portions thereof redeemed but who failed to deliver Bonds for redemption prior to the 60th day following such redemption date. Any such notice mailed will be conclusively presumed to have been duly given, whether or not the Bond owner receives such notice. Failure to give such notice or any defect therein with respect to any 2024A Bond will not affect the validity of the proceedings for redemption with respect to any other 2024A Bond.

In addition to the foregoing notice, further notice of such redemption will be given by the Bond Registrar to DTC and certain registered securities depositories and national information services as provided in the Indenture, but no defect in such further notice nor any failure to give all or any portion of such notice will in any manner affect the validity of a call for redemption if notice thereof is given as prescribed above and in the Indenture.

For so long as a book–entry system is in effect with respect to the 2024A Bonds, the Bond Registrar will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any Direct Participants or any failure of the Direct Participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the sufficiency of the notice or the validity of the redemption of 2024A Bonds. See “THE 2024A Bonds—Book–Entry System” herein.

Mandatory Sinking Fund Redemption At Bidder’s Option

The 2024A Bonds may be subject to mandatory sinking fund redemption at the option of the successful bidder(s). See “OFFICIAL NOTICE OF BOND SALE—Term Bonds and Mandatory Sinking Fund Redemption at Bidder’s Option.”

Registration And Transfer; Record Date

Registration and Transfer. In the event the book–entry only system is discontinued, any 2024A Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by such owner’s duly authorized attorney, upon surrender of such 2024A Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Bond Registrar. No transfer will be effective until entered on the registration books kept by the Bond Registrar. Whenever any 2024A Bond is surrendered for transfer, the Bond Registrar shall authenticate and deliver a new fully registered 2024A Bond or 2024A Bonds of the same series, designation, maturity and interest rate and of authorized denominations duly executed by the City, for a like aggregate principal amount.

The 2024A Bonds may be exchanged at the principal corporate office of the Bond Registrar for a like aggregate principal amount of fully registered 2024A Bonds of the same series, designation, maturity and interest rate of other authorized denominations.

For every such exchange or transfer of the 2024A Bonds, the Bond Registrar must make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer of the 2024A Bonds.

Record Date. Except as otherwise provided in a Supplemental Indenture with respect to a Series of Bonds, the City and the Trustee shall not be required to transfer or exchange any 2024A Bond (i) during the period from and including any Regular Record Date, defined as the fifteenth day of the month immediately preceding each Interest Payment Date, to and including the next succeeding Interest Payment Date (ii) during the period from and including the day fifteen days prior to any Special Record Date, defined as such date as may be fixed for the payment of defaulted interest on the 2024A Bonds, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The City, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each 2024A Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner of such 2024A Bond for the purpose of payment of principal, premium and interest with respect to such 2024A Bond and for all other purposes whatsoever.

Book–Entry System

DTC will act as securities depository for the 2024A Bonds. The 2024A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered 2024A Bond certificate will be issued for each maturity of the 2024A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or a “fast agent” of DTC. See “APPENDIX E—BOOK–ENTRY SYSTEM” for a more detailed discussion of the book–entry system and DTC.

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Debt Service On The 2024A Bonds

Payment Date	The 2024A Bonds		Period Total	Fiscal Total
	Principal*	Interest		
September 1, 2024	\$ —	\$	\$	
March 1, 2025	—			\$
September 1, 2025	1,210,000			
March 1, 2026				
September 1, 2026	1,275,000			
March 1, 2027				
September 1, 2027	1,340,000			
March 1, 2028				
September 1, 2028	1,410,000			
March 1, 2029				
September 1, 2029	1,480,000			
March 1, 2030				
September 1, 2030	1,555,000			
March 1, 2031				
September 1, 2031	1,635,000			
March 1, 2032				
September 1, 2032	1,720,000			
March 1, 2033				
September 1, 2033	1,810,000			
March 1, 2034				
September 1, 2034	1,900,000			
March 1, 2035				
September 1, 2035	2,000,000			
March 1, 2036				
September 1, 2036	2,100,000			
March 1, 2037				
September 1, 2037	2,210,000			
March 1, 2038				
September 1, 2038	2,320,000			
March 1, 2039				
September 1, 2039	2,430,000			
March 1, 2040				
September 1, 2040	2,525,000			
March 1, 2041				
September 1, 2041	2,630,000			
March 1, 2042				
September 1, 2042	2,735,000			
March 1, 2043				
September 1, 2043	2,850,000			
March 1, 2044				
September 1, 2044	<u>2,965,000</u>			
Total	<u>\$40,100,000</u>	\$ -	\$ -	

* Preliminary; subject to change.

(Source: the Municipal Advisor.)

SECURITY AND SOURCES OF PAYMENT FOR THE 2024A BONDS

Pledge Of The Indenture

The 2024A Bonds and any other Bonds hereafter issued pursuant to the Indenture are secured equally and ratably by a pledge of (i) the Net Revenues (as defined herein) and (ii) moneys in funds and accounts held by the Trustee under the Indenture (except the Rebate Fund). The 2024A Bonds are not a general obligation of the City, the State of Utah or any agency, instrumentality or political subdivision thereof. Neither the full faith and credit nor the taxing authority of the City, the State of Utah or any agency, instrumentality or political subdivision thereof will be assigned or pledged for payment of the 2024A Bonds. The City will not mortgage or grant a security interest in the System to secure payment of the 2024A Bonds.

“System” means the City’s sewer collection and treatment system, together with any additions, repairs, renewals, replacements, expansions, extensions and improvements to the System, or any part thereof, hereafter acquired or constructed, and together with all lands, easements, interests in land, licenses and rights of way of the City and all other works, property, structures, equipment of the City and contract rights and other tangible and intangible assets of the City now or hereafter owned or used in connection with, or related to said System.

“Net Revenues” means the Revenues after provision has been made for the payment therefrom of Operation and Maintenance Expenses of the System.

“Revenues” means all revenues, fees (including impact fees and connection fees to the extent such fees can legally be used for the purposes financed under the Indenture), Direct Payments, income, rents and receipts received or earned by the City from or attributable to the ownership and operation of the System (including proceeds of business interruption insurance, if any), including, without limitation, all fees and service charges received by the City from service contracts for the collection, disposal or treatment of sewage with other governmental entities or businesses, together with all interest earned by and profits derived from the sale of capacity, facilities, and investments made with the income and revenues.

“Direct Payments” means the interest subsidy or tax credit payments received by the City pursuant to the Code with respect to Direct Payment Bonds issued under the Indenture.

“Operation and Maintenance Expenses” means all expenses reasonably incurred in connection with the operation and maintenance of the System, whether incurred by the City or paid to any other entity pursuant to contract or otherwise, repairs and renewals (other than capital improvements) necessary to keep the System in efficient operating condition, including cost of audits hereinafter required, payment of premiums for the insurance hereinafter required, Administrative Costs and, generally all expenses, exclusive of depreciation (including depreciation related expenses of any joint venture) and, any in-lieu of tax transfers to City funds, interest expense for interfund loans from City funds, and reimbursement to the City for general overhead and administration of the City, which under generally accepted accounting practices are properly allocable to operation and maintenance; however, only such expenses as are reasonably and properly necessary to the efficient operation and maintenance of the System shall be included.

“Other Available Funds” (as defined herein) means for any year the amount available throughout the applicable year for transfer from the Rate Stabilization Fund to the Revenue Fund, as designated by the City.

“Administrative Costs” means all Security Instrument Costs, Reserve Instrument Costs, and Rebatale Arbitrage as defined herein. See “APPENDIX B—THE GENERAL INDENTURE OF TRUST—DEFINITIONS.”

No Debt Service Reserve Requirement For The 2024A Bonds

Under the Indenture, each Series of Bonds may be secured by a separate subaccount in the Debt Service Reserve Fund established in the Indenture. There is no Debt Service Reserve Requirement for the 2024A Bonds and no account in the Debt Service Reserve Fund will be funded with respect to the 2024A Bonds.

Rate Covenant

While any of the principal and interest on the Bonds are outstanding and unpaid, or any Repayment Obligations are outstanding, any resolution or other enactment of the City, applying the Net Revenues for the payment of the Bonds and the Repayment Obligations shall be irrevocable until the Bonds and/or any Repayment Obligations have been paid in full as to both principal and interest, and is not subject to amendment in any manner which would impair the rights of the holders of

those Bonds or the Repayment Obligations which would in any way jeopardize the timely payment of principal or interest when due. Furthermore, the rates, for all services supplied by the System to the City and to its inhabitants and to all customers within or without the boundaries of the City, shall be sufficient to pay the Operation and Maintenance Expenses for the System, and to provide Net Revenues for each Bond Fund Year which when added to the Other Available Funds for such year (less Direct Payments) shall equal not less than 125% of the Aggregate Annual Debt Service Requirement for such year, plus an amount sufficient to fund the Debt Service Reserve Fund for the Bonds in the time, rate and manner specified herein; provided, however, that such rates must be reasonable rates for the type, kind and character of the service rendered. There shall be no free sewer treatment service, and such rates shall be charged against all users of the System, excluding the City.

The City agrees that should its annual financial statement made in accordance with the provisions in the Indenture disclose that during the period covered by such financial statement the Net Revenues and Other Available Funds were not at least equal to the above requirement, the City shall request that a Qualified Engineer, independent accountant, or other independent financial consultant make recommendations as to the revision of the rates, charges and fees and that the City on the basis of such recommendations will revise the schedule of rates, charges and fees and further revise Operation and Maintenance Expenses so as to produce the necessary Net Revenues and Other Available Funds as required under the Indenture.

The City will maintain the System in good condition and operate the same in an efficient manner.

Each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider shall have a right, in addition to all other rights afforded it by the laws of the State, to apply to and obtain from any court of competent jurisdiction such decree or order as may be necessary to require the City to charge or collect reasonable rates for services supplied by the System sufficient to meet all requirements hereof and of any applicable Reserve Instrument Agreement.

So long as any principal and interest payments of the Bonds are Outstanding, or any Repayment Obligations are outstanding, proper books of record and account will be kept by the City separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the System. Each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider, or any duly authorized agent or agents thereof shall have the right at all reasonable times to inspect all records, accounts and data relating thereto and to inspect the System. Except as otherwise provided herein, the City further agrees that it will within 180 days following the close of each Bond Fund Year cause an audit of such books and accounts to be made by an independent firm of certified public accountants, showing the receipts and disbursements for account of the Net Revenues and the System, and that such audit will be available for inspection by each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider.

All expenses incurred in compiling the information required under the Indenture shall be regarded and paid as an Operation and Maintenance Expense.

“Repayment Obligations” means, collectively, all outstanding Security Instrument Repayment Obligations and Reserve Instrument Repayment Obligations.

For a description of the System, rates and charges for services provided by the System and moneys available for use in connection with the System, see “THE SYSTEM” herein.

Creation Of Accounts; Flow Of Funds

Creation of Accounts. The Indenture establishes an Acquisition/Construction Fund, Revenue Fund, Bond Fund, Sinking Fund Account, Debt Service Reserve Fund, Reserve Instrument Fund, Repair and Replacement Fund, Rebate Fund, Rate Stabilization Fund, as described under Funds and Accounts. in “APPENDIX B—THE GENERAL INDENTURE OF TRUST—Article V. Use of Funds—Section 5.2 Application of Revenues” (page B–32).

Flow of Funds. Under the Indenture, all Revenues shall be accounted for and maintained by the City in the Revenue Fund in the manner and order of priority specified in “APPENDIX B—THE GENERAL INDENTURE OF TRUST—Article V. Use of Funds—Section 5.2 Application of Revenues” (page B–32).

Issuance Of Additional Bonds

No additional indebtedness, bonds or notes of the City secured by a pledge of the Revenues senior to the pledge of Net Revenues for the payment of the Bonds shall be created or incurred without the consent of the Owners of 100% of the Outstanding Bonds and the Security Instrument Issuer.

The Indenture does not limit the amount of Additional Bonds that may be issued by the City, but the following requirements of the Indenture must be satisfied as a condition to the issuance of any Additional Bonds:

(a) No Event of Default shall have occurred and be continuing hereunder on the date of authentication of any Additional Bonds. The issuance of Additional Bonds shall not be precluded if (i) the issuance of such Additional Bonds otherwise complies with the provisions of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of Additional Bonds and the application of all proceeds; and

(b) A certificate shall be delivered to the Trustee by an Authorized Representative to the effect that the Net Revenues plus Other Available Funds for any Year, less any Direct Payments, for any consecutive 12-month period in the 24 months immediately preceding the proposed date of issuance of such Additional Bonds were at least equal to 125% of the sum of the Aggregate Annual Debt Service Requirement on all Bonds outstanding for said Year; and provided, however, that such Net Revenue coverage test shall not apply to the issuance of any Additional Bonds to the extent (i) they are issued for the purpose of refunding Bonds issued under the Indenture, (ii) the Average Aggregate Annual Debt Service for such Additional Bonds does not exceed the then remaining Average Aggregate Annual Debt Service for the Bonds being refunded and (iii) the maximum Aggregate Annual Debt Service Requirement for such Additional Bonds is less than or equal to the maximum Aggregate Annual Debt Service Requirement for the Bonds being refunded; and

(c) In the case of Additional Bonds issued to finance a Project, the City shall have delivered to the Trustee a certificate from an Authorized Representative (i) setting forth the Estimated Net Revenues (assuming, if applicable, the completion of the Project, or any portion financed with proceeds of the Additional Bonds) either (A) for each of the two Bond Fund Years succeeding the latest estimated date of completion of the Project, or any portion of the Project, if proceeds of the Additional Bonds are used to fund interest during the construction period, or (B) if (A) is not the case, for the then current Bond Fund Year and each succeeding Bond Fund Year to and including the second Bond Fund Year succeeding the latest estimated date of completion of the Project, or any portion of the Project; and (ii) verifying that the Estimated Net Revenues as shown in (i) above for each of such Bond Fund Years, less any Direct Payments, plus Other Available Funds are not less than 125% of the Aggregate Annual Debt Service Requirement for each of such Bond Fund Years with respect to all of the Bonds and Additional Bonds which would then be Outstanding (after taking into account any Principal reductions resulting from regularly scheduled Principal or sinking fund redemption payments) and the Additional Bonds so proposed to be issued.

“Estimated Net Revenues” shall be determined by the Authorized Representative as follows:

(A) The total Net Revenues of the System for any Year in the 24 months immediately preceding the authentication and delivery of the Additional Bonds shall first be determined. For purposes of these calculations, Revenues may be adjusted to give full effect to rate increases implemented prior to the issuance of the Additional Bonds.

(B) Next, the additional Net Revenues, if any, resulting from the Project, or any portion of the Project, financed with the proceeds of the Additional Bonds will be estimated by a Qualified Engineer for the applicable Bond Fund Years determined as shown above.

(C) The Estimated Net Revenues will be the sum of the Net Revenues as calculated in (A) above, less any Direct Payments, plus 80% of the estimated additional Net Revenues as calculated in (B) above.

Provided, however, that such Qualified Engineer’s certificate set forth in this Subsection (c) may instead be delivered by an Authorized Representative in the event that the City is not relying upon the Estimated Net Revenues in order to meet the Net Revenue coverage test.

(d) All payments required by the Indenture to be made into the Bond Fund must have been made in full, and there must be on deposit in each account of the Debt Service Reserve Fund (taking into account any Reserve Instrument coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds; and

(e) The proceeds of the Additional Bonds must be used (i) to refund Bonds issued under the Indenture, or other obligations of the City (including the funding of necessary reserves and the payment of costs of issuance) and/or (ii) to finance or refinance a Project (including the funding of necessary reserves and the payment of costs of issuance).

Rate Stabilization Fund

The City has created and may maintain a Rate Stabilization Fund as a separate fund of the City. *The Rate Stabilization Fund is projected to be funded in Fiscal Year 2024 and continue to be funded by the City from legally available funds of the City and/or Revenues of the System following the payment of obligations of the System (including operation and maintenance costs, debt service and the funding of reserves).* The City may, from time to time, designate all or a portion of the amounts on deposit in the Rate Stabilization Fund as Other Available Funds. Except for amounts designated as provided in the immediately preceding sentence (for the year so designated), amounts on deposit in the Rate Stabilization Fund may be used by the City for any lawful purpose. To the extent that amounts on deposit in the Revenue Fund are insufficient in any year for any of the purposes thereof the City covenants that, to the extent amounts are on deposit in the Rate Stabilization Fund, to transfer amounts from the Rate Stabilization Fund to the Revenue Fund to cover any such insufficiency.

HISTORICAL DEBT SERVICE COVERAGE

The following table shows the past five Fiscal Years of debt service requirement for the City's outstanding sewer bonds, the historical net revenues of the System, and the debt service coverage amounts. The historical information has been derived from the City's comprehensive audited financial statements.

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Spanish Fork, Utah
Historical Debt Service Coverage
Sewer

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
Operating revenues					
Charges for services (1)	\$3,924,811	\$4,762,944	\$5,239,070	\$6,043,754	\$8,386,930
Other income	<u>79,783</u>	<u>298,390</u>	<u>248,115</u>	<u>822,908</u>	<u>241,525</u>
Total operating revenues	<u>4,004,594</u>	<u>5,061,334</u>	<u>5,487,185</u>	<u>6,866,662</u>	<u>8,628,455</u>
Operating expenses					
Professional services	888,751	1,028,069	1,142,295	1,195,396	866,609
Indirect services	757,996	830,922	895,336	1,127,955	1,204,195
Employee salaries	832,560	830,020	859,840	986,880	1,188,820
Motor pool charge	589,311	286,221	276,567	287,488	330,259
Utilities	380,593	240,648	235,422	318,243	465,426
Materials and supplies	168,020	199,327	186,141	203,628	333,274
Repairs and maintenance	236,466	160,560	175,892	205,096	220,024
Insurance	72,527	61,848	23,138	26,206	22,699
Sundry charges	3,038	3,288	10,134	15,659	3,502
Training	928	3,222	4,774	17,011	11,563
Capital outlay	<u>(37)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total operating expenses	<u>3,930,153</u>	<u>3,644,125</u>	<u>3,809,539</u>	<u>4,383,562</u>	<u>4,646,371</u>
Operating income (loss)	<u>74,441</u>	<u>1,417,209</u>	<u>1,677,646</u>	<u>2,483,100</u>	<u>3,982,084</u>
Non-operating revenues (expenses)					
Impact fees	1,165,149	1,158,301	1,131,803	2,632,867	2,102,366
Interest income	145	226,233	798,338	777,591	2,757,981
Grant proceeds	—	—	—	—	4,000,050
Gain (loss) on disposal of assets	<u>—</u>	<u>(7,638)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total non-operating revenues (expenses)	<u>1,165,294</u>	<u>1,376,896</u>	<u>2,027,385</u>	<u>3,437,462</u>	<u>8,860,397</u>
Net revenues available for sewer bonds debt service	<u>\$1,239,735</u>	<u>\$2,794,105</u>	<u>\$3,705,031</u>	<u>\$5,920,562</u>	<u>\$12,842,481</u>
Debt service (sewer bonds)					
2020 Bonds	—	—	<u>\$1,390,758</u>	<u>\$2,430,450</u>	<u>\$2,430,450</u>
Debt service coverage					
Net revenues/total debt service	—	—	2.66X	3.52X	5.28X
Rate Covenant Requirement (2)	—	—	1.25X	1.25X	1.25X

(1) For Fiscal Year 2023, Charges for service includes the Mapeton Wastewater Treatment Plant bond payment.

(2) Under the Indenture.

(Source: the City.)

PROJECTED REVENUES OF THE SYSTEM AND DEBT SERVICE COVERAGE

Forward Looking Projected Information. The City does not as a matter of course make public projections as to future revenues, income, or other results, although it does make projections for management. However, the management of the City has prepared the prospective financial information set forth below in the table “Projected Debt Service Coverage,” to present projected Net Revenue of the System for Fiscal Years 2024 through 2028. The accompanying prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the City’s management, was prepared on a reasonable basis with reasonable assumptions, reflects the best currently available

estimates and judgments and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the System. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this OFFICIAL STATEMENT are cautioned not to place undue reliance on the prospective financial information.

Neither the City's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The assumption and estimates underlying the prospective financial information are inherently uncertain and, although considered reasonable by the management of the City as of the date hereof, are subject to a wide variety of significant business, economic, environmental and competitive risks and uncertainties, that could cause actual results to differ materially from those contained in the prospective financial information. Accordingly, there can be no assurance that the prospective results are indicative of the future performance of the System or that the actual results will not differ materially from those presented in the prospective financial information. Inclusion of the prospective financial information in this OFFICIAL STATEMENT should not be regarded as a representation by any person that the results contained in the prospective financial information will be achieved.

Projected Revenues, Expenses And Debt Service Coverage

The following table is a summary of the projected revenues of the system and debt service coverage. The projected information is based on historical and current operating information available to the City as follows.

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Spanish Fork, Utah
Projected Debt Service Coverage
Sewer

	Fiscal Year Ended June 30				
	2024	2025	2026	2027	2028
Operating revenues					
Charges for services (1)	\$9,597,450	\$10,847,092	\$11,878,909	\$12,902,685	\$13,984,910
Other income	<u>134,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total operating revenues	<u>9,731,450</u>	<u>10,857,092</u>	<u>11,888,909</u>	<u>12,912,685</u>	<u>13,994,910</u>
Operating expenses					
Professional services	909,939	955,436	1,003,208	1,053,369	1,106,037
Indirect services	1,264,405	1,327,625	1,394,006	1,463,707	1,536,892
Employee salaries	1,248,261	1,310,674	1,376,208	1,445,018	1,517,269
Motor pool charge	346,772	364,111	382,316	401,432	421,503
Utilities	488,697	513,132	538,789	565,728	594,015
Materials and supplies	349,938	367,435	385,806	405,097	425,351
Repairs and maintenance	231,025	242,576	254,705	267,441	280,813
Insurance	23,834	25,026	26,277	27,591	28,970
Sundry charges	3,677	3,861	4,054	4,257	4,470
Training	<u>12,141</u>	<u>12,748</u>	<u>13,386</u>	<u>14,055</u>	<u>14,758</u>
Total operating expenses ("O&M")	<u>4,878,689</u>	<u>5,122,624</u>	<u>5,378,755</u>	<u>5,647,695</u>	<u>5,930,078</u>
Operating income (loss)	<u>4,852,761</u>	<u>5,734,468</u>	<u>6,510,154</u>	<u>7,264,990</u>	<u>8,064,832</u>
Non-operating revenues (expenses)					
Impact fees	1,962,336	2,470,250	2,995,710	3,521,897	3,521,896
Interest income	2,067,823	1,032,045	235,316	231,826	223,247
Grant proceeds (2)	<u>7,565,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>11,595,513</u>	<u>3,502,295</u>	<u>3,231,026</u>	<u>3,753,723</u>	<u>3,745,143</u>
Net revenues	<u>16,448,274</u>	<u>9,236,763</u>	<u>9,741,180</u>	<u>11,018,713</u>	<u>11,809,975</u>
Rate stabilization fund (3)	<u>4,093,448</u>	<u>4,301,587</u>	<u>4,697,775</u>	<u>4,904,110</u>	<u>5,123,334</u>
Net revenues available for sewer bonds debt service	<u>\$20,541,722</u>	<u>\$13,538,350</u>	<u>\$14,438,955</u>	<u>\$15,922,823</u>	<u>\$16,933,309</u>
Debt service (sewer bonds)					
2020 Bonds	\$5,155,575	\$5,142,575	\$5,142,575	\$5,159,450	\$5,143,200
2024A Bonds	-	1,638,800	3,023,400	3,026,275	3,025,900
2024B Bonds	<u>-</u>	<u>23,380</u>	<u>50,400</u>	<u>252,400</u>	<u>252,138</u>
Total debt service	<u>\$5,155,575</u>	<u>\$6,781,375</u>	<u>\$8,165,975</u>	<u>\$8,185,725</u>	<u>\$8,169,100</u>
Debt service coverage					
Net revenues available for debt service/ total debt service	3.98X	1.99X	1.76X	1.89X	2.01X
Rate Covenant Requirement (4)	1.25X	1.25X	1.25X	1.25X	1.25X

(1) Includes Mapeton Wastewater Treatment Plant bond payment, historically accounted for as a Charge for Service.

(2) Includes American Rescue Plan Act (ARPA) funding from the County and the State.

(3) Rate stabilization fund is described under Funds and Accounts in "APPENDIX B—THE GENERAL INDENTURE OF TRUST."

(4) Under the Indenture.

(Source: the City.)

THE 2024 PROJECT

A portion of the proceeds from the 2024A Bonds will be used to finance the construction of additions and improvements to the System and related improvements including, but not limited to improvements to the City's ownership portion of the Membrane Bio-Reactor treatment plant with solids holding tanks (the "MBR Treatment Plant").

In 2018, the City completed a Wastewater Treatment Plant (the "WWTP") condition assessment study which specified the need for significant upgrades and replacement of existing infrastructure. In addition, the study concluded the WWTP needed substantial modifications to reliably comply with pending nutrient limits being implemented by the State. To satisfy these recommendations, the City issued its 2020 Bonds to begin construction on its new MBR Treatment Plant built on adjacent property southeast of the existing WWTP. The MBR Treatment Plant includes headworks, an influent pump station, treatment basins, and ultraviolet disinfection. The MBR Treatment Plant project (the "Project") also includes a small trunk line extension and lift station that open new areas for development in the City along the southwest border of existing City limits. The MBR Treatment Plant is expected to have a capacity of eight million gallons per day ("MGD").

As of the date of this OFFICIAL STATEMENT, the following portions of the Project have been completed or are in progress: (i) the solids handling phase 1 project, which includes the conversion of one of the anaerobic digesters to an aerated solids holding tank with dewatering equipment has been completed; (ii) the offsite trunkline, which redirects sewer flow to the new treatment plant is 90% complete; (iii) the soils improvement project, which consists of all mass excavation and the installation of rigid inclusions in the soil to provide adequate support for the proposed structures has been completed; (iv) the main treatment plant project is approximately 50% complete (the BNR Basins, MBR Support building and UV Disinfection building are nearly complete and the contractor is installing equipment); and (v) the Headworks building, which involves significant excavation, and is 15% complete. Overall, approximately 50% of the Project has been completed.

In addition to funds from the issuance of the 2020 Bonds, the 2024A Bonds and the 2024B Bonds, funding for the Project includes State and County grants. Construction of the Project began in January 2022 with an expected completion date of August 2025.

THE SYSTEM

General

Under the Indenture, the System means the City's sewer collection and treatment system, together with any additions, repairs, renewals, replacements, expansions, extensions and improvements to the System, or any part thereof, hereafter acquired or constructed, and together with all lands, easements, interests in land, licenses and rights of way of the City and all other works, property, structures, equipment of the City and contract rights and other tangible and intangible assets of the City now or hereafter owned or used in connection with, or related to said System.

The System provides sewer service to approximately 13,625 customers in the City and 3,500 customers in Mapleton City. The WWTP, located at 150 East and 2160 North in the City, is an activated sludge plant with anaerobic digestion and a hydraulic capacity of six MGD. The State permit capacity for the WWTP is five MGD. The City's WWTP currently treats an average of 4.7 MGD and is operating at 94% of its permitted treatment capacity.

Interlocal Agreement

The City owns and operates the System that provides services to the residents of the City and Mapleton, Utah ("Mapleton City") through an interlocal agreement dated January 8, 2022. The current contract with Mapleton City terminates in 2072. This agreement sets forth the ownership and management of a joint sewer collection trunk line as well as the treatment plant. Except for the joint sewer trunk line, individual collection systems are owned and maintained separately by each city. The City and Mapleton City jointly own the treatment plant capacity as well as real property assets for the new MBR Treatment Plant with Mapleton City's ownership at 20%. Mapleton City's portion of the capital cost of the new MBR Treatment Plant is 20%. Mapleton City's portion of the operating and maintenance cost is based on the percentage flow. It is possible that Mapleton City will increase its ownership in the treatment facility over time as may be agreed to by both parties, but not in a manner that jeopardizes the City's ability to meet capacity demands of the System.

The Net Revenues include revenue received from Mapleton City for services provided by the System. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2024A BONDS" herein.

Capacity And Demand

The following table shows the existing capacity and demand with respect to the System for the following Fiscal Years.

Calendar Year	Average Flow (MGD)	Total Gallons (MGY) Treated	Total Capacity (MGD)
2023	5.39	1,839	6
2022	4.69	1,712	6
2021	4.51	1,647	6
2020	4.45	1,627	6
2019	4.64	1,647	6
2018	4.30	1,575	6
2017	4.98	1,851	6
2016	4.10	1,486	6
2015	3.89	1,426	6
2014	4.01	1,469	6

(Source: the City.)

The following table shows the historical peak flows for the following Fiscal Years.

Fiscal Year	Average Day Flow (MGD)	% Change From Prior Year	Peak Day Flow (MGD)	% Change From Prior Year
2023	5.40	15.1%	9.91 (1)	59.8%
2022	4.69	4.0	6.20	(4.2)
2021	4.51	1.3	6.47	15.3
2020	4.45	(4.9)	5.61	(18.7)
2019	4.68	8.3	7.35	8.4
2018	4.32	(13.3)	6.78	(13.3)
2017	4.98	21.5	7.82	21.6
2016	4.10	5.4	6.43	5.4
2015	3.89	(3.0)	6.10	(3.2)
2014	4.01	(6.1)	6.30	(6.0)

(1) 2023 was an extremely wet year with significant infiltration early in the year resulting in a high peak day flow. The average day flow since July is 4.95 with a peak day flow of 6.43.

(Source: the City.)

The City's primary customer base is residential, comprising 93% of the connections in 2023. Over the past 10 years, there has been a 32% increase in residential connections and a 19% increase in commercial/industrial connections since 2021.¹

The following table summarizes the break-out and growth in residential and commercial/industrial connections for the following Calendar Years.

¹ The percent increase in commercial/industrial connections is measured since 2021 as the City changed the way commercial customers were billed in 2021. In previous years a strip mall with five units but only one water meter was counted as five connections. In 2021, the count was changed for billing purposes to match the number of meters, so a strip mall with one meter and five units was counted as one connection.

Calendar Year	Residential Connections	Commercial/ Industrial	Total Number of Connections	% Change From Prior Year
2023	13,047	708	13,755	4.3%
2022	12,530	664	13,194	4.3
2021 (1)	12,052	593	12,645	0.5
2020	11,710	877	12,587	2.8
2019	11,309	941	12,250	3.5
2018	10,908	930	11,838	3.4
2017	10,583	863	11,446	3.1
2016	10,286	811	11,097	2.4
2015	10,052	789	10,841	1.9
2014	9,853	788	10,641	1.7

(1) In 2021, the City changed the way commercial customers were billed. For example, in previous years a strip mall with five units but only one water meter was counted as five connections. In 2021, the count was changed for billing purposes to match the number of meters, so a strip mall with one meter and five units was counted as one connection. As such, the total connections decreased, but the number of businesses the City provides sewer services to did not decrease.

(Source: the City.)

Collection

The collection system presently consists of approximately 158 miles of four inch to 36-inch interceptors and collectors as well as 2.85 miles of force mains that transmit wastewater from the lift stations to the gravity mains. The City also owns and operates three lift stations and one metering vault shared with Mapleton City.

The following table shows pipe sizes and distance of each type of pipe in miles.

Size (")	Clay	Concrete	PVC	Polypropylene
4"	0.28	0.00	0.83	0.00
6"	10.61	0.94	3.21	0.00
8"	5.76	14.16	78.07	0.00
10"	0.96	1.95	3.31	0.00
12"	0.84	4.43	7.82	0.01
15"	0.33	5.39	4.20	0.00
18"	0.00	0.50	1.30	0.00
21"	0.00	0.09	0.72	0.00
24"	0.00	3.17	1.08	2.10
30"	0.00	2.93	1.00	0.00
36"	0.00	2.22	2.75	0.30

(Source: the City.)

Licenses, Permits, Approvals and Environmental Regulations

The City has indicated it holds all approvals necessary for the operation of the System, and the System is compliant with all environmental regulations.

Revenues

The principal sources of System revenues are user fees paid by the City's customers and impact fees paid in connection with new construction. The City has full and independent power, as granted by State law, to establish revenue levels and rate design for sewer service provided by the City. The City is not subject to rate regulation by any State or federal regulatory body and is empowered to set rates effective at any time. The last System rate change occurred on July 1, 2023.

An analysis of the breakout of historical Calendar Year user fee sewer revenues shows a total increase in revenues of 197% over the past 10 years, with a 15.8% increase in Calendar Year 2023 compared to Calendar Year 2022.

Calendar Year	Residential Revenue	Commercial/ Industrial Revenue	Total Revenue	% Change From Prior Year
2023	\$6,194,571	\$1,291,498	\$7,486,069	15.8%
2022	5,354,773	1,107,283	6,462,056	17.9
2021	4,581,715	897,320	5,479,035	14.4
2020	4,008,234	781,777	4,790,011	15.9
2019	3,526,638	606,941	4,133,579	14.8
2018	3,127,689	474,557	3,602,246	4.8
2017	2,996,486	441,132	3,437,618	2.1
2016	2,930,214	436,970	3,367,184	9.2
2015	2,683,070	399,034	3,082,104	22.2
2014	2,181,527	340,056	2,521,583	5.2

(Source: the City.)

User Fees. The City charges both a monthly base per unit charge for maintenance and a usage charge per 1,000 gallons. Residential customers, including multi-family dwellings and condominiums pay a base rate of \$26.72 per month plus a usage fee of \$3.26 per 1,000 gallons of culinary water used. Commercial and industrial customers are billed a monthly base fee according to their culinary water meter size in addition to a usage fee of \$3.26 per 1,000 gallons of culinary water used.

The following table shows the City's current sewer rates.

Meter Size (")	Monthly Base Charge	Per 1,000 Gallons (1)
.75 or 1	\$ 26.72	\$3.26
1.5	60.12	3.26
2	106.88	3.26
4	427.52	3.26

(1) Gallon charge is based on winter water use.

(Source: the City.)

The Fiscal Year 2023 average monthly bill for residential customers is \$42.58. The current overall average monthly bill for residential and commercial customers combined is \$160.98.

As shown in the following table, compared to surrounding cities, the City's current average monthly residential sewer rate of \$42.58 is approximately the average of cities in the surrounding area.

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Surrounding Cities	Average Monthly Sewer Rate
Springville	\$30.62
Lehi	30.92
Pleasant Grove	32.56
Orem	35.79
American Fork	40.96
<i>Spanish Fork</i>	42.58
Provo	44.04
Santaquin	46.55
Salem	55.49
Payson	59.99

(Source: the City.)

User rates are projected to increase in the upcoming years subject to City Council approval. Current and projected rates are shown through Fiscal Year 2028 in the following table.

Meter Size	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential:					
1"	\$ 26.72	\$ 28.41	\$ 30.10	\$ 31.79	\$ 33.48
1.5"	60.12	63.92	67.73	71.53	75.33
2"	106.88	113.64	120.40	127.16	133.92
4"	427.52	454.56	481.60	508.64	535.68
Each additional 1,000 Gal.	3.26	3.46	3.67	3.88	4.08
Average residential sewer bill	\$42.58	45.27	47.96	50.66	53.35

(Source: the City.)

Impact Fees. The City also charges impact fees to recoup the costs of the impact of new construction on the System. Impact fees can be used to pay for capital improvements which are growth related and itemized on the City's plan for the System. Impact fees cannot be higher than the fee justified by the impact fee analysis ("IFA"). The City completes an impact fee study annually with the most recent impact fees updated in August 2023. The Fiscal Year 2024 impact fee for single family residences is \$3,200.08. The sewer impact fee for multi-family or non-residential buildings is \$3,200.08 times the number of Equivalent Residential Connections ("ERC"). The ERC is based on flow and load, with a minimum of one ERC. Sewage usage of large commercial users is audited annually and adjusted upward if the flow or load increases by more than 10% compared to the calculations for the current fee.

Major Users

The top two users of the City's sewer services are Hydro Extrusion USA, LLC at 1.5% of revenues and Klune Industries at 0.9%. Combined revenues from the 10 largest users total 5.7% of the City's annual user fee revenues for Fiscal Year 2023 of \$7,486,069.

The major users of the System for Fiscal Year 2023 are shown in the following table.

Customer	Type of Business	Annual Revenues	% of Total Revenue (1)
Hydro Extrusion USA, LLC	Manufacturing	\$112,758	1.5%
Klune Industries	Manufacturing	66,294	0.9
Utah County Jail	Institutional	42,774	0.6
Longview/Kapstone	Manufacturing	41,913	0.6
Wiggy Wash	Car Wash	30,890	0.4
Creek Wash	Car Wash	28,803	0.4
Nature's Sunshine	Manufacturing	28,556	0.4
Mountain Country Foods	Manufacturing	25,318	0.3
QQ Utah County LLC	Car Wash	23,175	0.3
Intermountain Healthcare	Hospital	<u>24,266</u>	<u>0.3</u>
Total		<u>\$424,746</u>	<u>5.7%</u>

(1) Total annual billings for Fiscal Year 2023 were \$7,486,069.

(Source: the City.)

Billings And Collection

The City's regulations include a mandatory connection policy to the System. The mandatory connection policy requires the owner of any property used for human occupancy, employment, creation or other purposes, which are situated within the City to connect to the System. Residential developers are required to construct the appropriate sewer facilities to connect their development to the System. The City has also adopted a disconnection policy for non-payment of bills for water and utility services.

Pursuant to the City's mandatory connection policy, all new developments must connect to the System. Existing houses and structures that have an existing septic system (i.e., not connected to the System) can be required to connect to the System if the City installs a new sewer main within 300 feet of the property. The City estimated there are only approximately 131 homes within the City still on septic systems.

Utility bills are generated monthly and are due on the 25th of each month. If an account is not paid in full by the due date, a 5% late fee is charged on the unpaid balance. If an account becomes delinquent 15 days or more, the utility service is subject to shut-off and a shut-off notice is sent via mail, email and phone and a \$15 fee is assessed. After an additional seven days, if any part of the utility bill remains unpaid, the electric service is shut-off and an additional \$30 shut-off fee is charged. In order for electric service to be reconnected after shut-off occurs, the delinquent bill and the current bill must be paid in full. The \$15 shut-off notice fee and the \$30 shut-off fee carry over to the following month. If after an additional five days the bill remains unpaid, the water service is shut off and an additional \$30 fee is assessed. With respect to the charges anticipated from Mapleton City, if such payments are not made, Mapleton City will lose its rights to capacity at the treatment plant.

For Fiscal Year 2023, the City collected an average of 92% of sewer fees payable to the City within 30 days after the due date, 98% by 60 days after the due date, and 99% by 90 days after the date.

Wastewater Master Plan; Future System Projects

The City maintains a Wastewater Master Plan (the "Master Plan") and Capital Facility Plan ("CFP") that provide a comprehensive assessment of existing facilities and identify recommended improvements that will resolve existing and projected future deficiencies in the City's wastewater collection system. A review of this plan is conducted frequently and modified as changes to capital needs become necessary. The majority of the System improvements recommended in the Master Plan will be funded by user fees, impact fees, grants, or installed by developers.

Historical Five-Year Financial Summaries Of The System

The summaries contained herein regarding the System were extracted from the City's financial statements for Fiscal Years 2019 through 2023. The summaries themselves have not been audited. See "APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2023."

Spanish Fork, Utah
Statement of Net Position
Sewer
Proprietary Funds–Business-type Activities–Enterprise Fund

	As of June 30				
	2023	2022	2021	2020	2019
Assets and deferred outflows or resources					
Current assets					
Cash and cash equivalents	\$21,692,905	\$15,749,278	\$9,884,488	\$9,218,539	\$9,471,927
Accounts receivable	867,847	538,964	439,279	476,924	335,315
Inventory	3,500	3,500	3,500	3,500	3,500
Allowance for doubtful accounts	(2,825)	(2,825)	(2,825)	(2,825)	(2,825)
Due from other funds	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>411,066</u>
Total current assets	<u>22,561,427</u>	<u>16,288,917</u>	<u>10,324,442</u>	<u>9,696,138</u>	<u>10,218,983</u>
Noncurrent assets					
Capital assets					
Improvements	105,141,136	74,971,182	54,972,013	46,243,650	44,112,095
Land	1,619,213	3,421,484	3,421,484	3,816,834	1,840,081
Equipment	2,353,875	2,473,875	2,473,875	2,473,875	2,483,271
Buildings	560,026	546,531	546,531	546,531	546,531
Less: accumulated depreciation	(29,078,652)	(26,842,965)	(25,147,624)	(23,803,737)	(22,579,050)
Net pension asset	3,517	252,867	—	—	—
Note receivable from Mapleton City	17,134,083	17,795,500	17,897,750	—	—
Restricted cash and equivalents	<u>33,406,436</u>	<u>60,122,214</u>	<u>78,725,511</u>	<u>—</u>	<u>—</u>
Total noncurrent assets	<u>131,139,634</u>	<u>132,740,688</u>	<u>132,889,540</u>	<u>29,277,153</u>	<u>26,402,928</u>
Total assets	<u>153,701,061</u>	<u>149,029,605</u>	<u>143,213,982</u>	<u>38,973,291</u>	<u>36,621,911</u>
Deferred outflows of resources					
Related to pensions	<u>117,222</u>	<u>125,848</u>	<u>35,963</u>	<u>70,289</u>	<u>148,304</u>
Total assets and deferred outflows of resources	<u>\$153,818,283</u>	<u>\$149,155,453</u>	<u>\$143,249,945</u>	<u>\$39,043,580</u>	<u>\$36,770,215</u>

(Source: Information extracted from the City's audited financial statements compiled by the Municipal Advisor.)

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Spanish Fork, Utah
Statement of Net Position—Continued
Sewer
Proprietary Funds—Business-type Activities—Enterprise Fund

	As of June 30				
	2023	2022	2021	2020	2019
Liabilities, deferred inflows of resources and net position					
Current liabilities					
Accounts payable	\$3,893,458	\$2,751,756	\$105,102	\$177,114	\$514,612
Accrued interest payable	810,150	810,150	—	—	—
Compensated absences payable	129,545	110,358	93,700	84,700	88,487
Bonds payable - current portion	2,795,000	—	—	—	—
Contractor agreements	<u>6,736</u>	<u>20,826</u>	<u>28,516</u>	<u>—</u>	<u>—</u>
Total current liabilities	<u>7,634,889</u>	<u>3,693,090</u>	<u>227,318</u>	<u>261,814</u>	<u>603,099</u>
Noncurrent liabilities					
Cash held on behalf of Mapleton City	12,640,685	17,536,978	18,929,768	—	—
Net pension liability.	88,105	—	21,774	151,362	296,861
Bonds payable	70,550,000	73,345,000	73,345,000	—	—
Bond premiums	8,565,248	9,069,086	9,572,925	—	—
Construction retainage payable	844,500	44,043	—	—	—
Deferred revenue	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,216</u>	<u>12,216</u>
Total noncurrent liabilities	<u>92,688,538</u>	<u>99,995,107</u>	<u>101,869,467</u>	<u>163,578</u>	<u>309,077</u>
Total liabilities	<u>100,323,427</u>	<u>103,688,197</u>	<u>102,096,785</u>	<u>425,392</u>	<u>912,176</u>
Deferred inflows of resources					
Related to pensions	<u>6,971</u>	<u>406,290</u>	<u>68,766</u>	<u>70,748</u>	<u>9,044</u>
Total deferred inflows of resources	<u>6,971</u>	<u>406,290</u>	<u>68,766</u>	<u>70,748</u>	<u>9,044</u>
Net position					
Net investment in capital assets	7,250,598	(18,744,893)	(37,078,721)	29,277,153	26,402,928
Unrestricted	<u>46,237,287</u>	<u>63,835,859</u>	<u>78,163,115</u>	<u>9,270,287</u>	<u>9,446,067</u>
Total net position	<u>53,487,885</u>	<u>45,090,966</u>	<u>41,084,394</u>	<u>38,547,440</u>	<u>35,848,995</u>
Total assets, deferred inflows of resources and net position	<u>\$153,818,283</u>	<u>\$149,185,453</u>	<u>\$143,249,945</u>	<u>\$39,043,580</u>	<u>\$36,770,215</u>

(Source: Information extracted from the City's audited financial statements compiled by the Municipal Advisor.)

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Spanish Fork, Utah
Statement of Revenues, Expenses and Changes in Net Position
Sewer
Proprietary Funds—Business-type Activities-Enterprise Fund
(This summary has not been audited)

	Fiscal Year Ended June 30				
	2023	2022	2021	2020	2019
Operating revenues					
Charges for services	\$7,349,916	\$6,043,754	\$5,239,070	\$4,762,944	\$3,924,811
Other income	<u>241,525</u>	<u>822,908</u>	<u>248,115</u>	<u>298,390</u>	<u>79,783</u>
Total operating revenues	<u>7,591,441</u>	<u>6,866,662</u>	<u>5,487,185</u>	<u>5,061,334</u>	<u>4,004,594</u>
Operating expenses					
Depreciation	2,355,687	1,695,341	1,343,887	1,226,444	1,182,693
Professional services	866,609	1,195,396	1,142,295	1,028,069	888,751
Indirect services	1,204,195	1,127,955	895,336	830,922	757,996
Employee salaries	1,188,820	986,880	859,840	830,020	832,560
Motor pool charge	330,259	287,488	276,567	286,221	589,311
Utilities	465,426	318,243	235,422	240,648	380,593
Materials and supplies	333,274	203,628	186,141	199,327	168,020
Repairs and maintenance	220,024	205,096	175,892	160,560	236,466
Insurance	22,699	26,206	23,138	61,848	72,527
Sundry charges	3,502	15,659	10,134	3,288	3,038
Training	11,563	17,011	4,774	3,222	928
Capital outlay	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(37)</u>
Total operating expenses	<u>7,002,058</u>	<u>6,078,903</u>	<u>5,153,426</u>	<u>4,870,569</u>	<u>5,112,846</u>
Operating income (loss)	<u>589,383</u>	<u>787,759</u>	<u>333,759</u>	<u>190,765</u>	<u>(1,108,252)</u>
Non–operating revenues (expenses)					
Impact fees/other fees and water rights	2,102,366	2,632,867	1,131,803	1,158,301	1,165,149
Contributions from private contractors	2,807,283	2,642,862	1,949,722	1,276,570	1,124,996
Grant proceeds	4,000,050	—	—	—	—
Pension benefit expense	101,939	—	115,941	93,764	79,043
Interest income	2,757,981	777,591	798,338	226,233	145
Pension expense	(48,701)	27,004	(18,697)	(87,984)	(99,049)
Interest expense	(1,931,112)	(2,741,512)	(1,555,021)	—	—
Gain (loss) on disposal of assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,638)</u>	<u>—</u>
Total non–operating revenues (expenses)	<u>9,789,806</u>	<u>3,338,812</u>	<u>2,422,086</u>	<u>2,659,246</u>	<u>2,270,284</u>
Income (loss) before operating transfers	<u>10,379,189</u>	<u>4,126,571</u>	<u>2,755,845</u>	<u>2,850,011</u>	<u>1,162,032</u>
Operating transfers					
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(218,891)</u>	<u>(151,566)</u>	<u>(136,362)</u>
Total operating transfers in (out)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(218,891)</u>	<u>(151,566)</u>	<u>(136,362)</u>
Change in net position	10,229,189	3,976,571	2,536,954	2,698,445	1,025,670
Net position at beginning of year (as restated)	45,060,965	41,084,394	38,547,440	35,848,995	34,823,325
Prior period adjustment	<u>(1,802,270)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net position at end of year	<u>\$53,487,884</u>	<u>\$45,060,965</u>	<u>\$41,084,394</u>	<u>\$38,547,440</u>	<u>\$35,848,995</u>

(Source: Information extracted from the City's audited financial statements compiled by the Municipal Advisor.)

SPANISH FORK CITY, UTAH

General

The City, incorporated in 1855, covers an area of approximately 14.3 square miles and is located in the southern portion of the County. The City is located approximately eight miles south of Provo City, Utah. The City had 44,102 residents according to the 2022 U.S. Census Bureau estimate. The County is situated in the north central portion of the State. Incorporated in 1850, the County is bordered on the north by Salt Lake County, Utah and encompasses approximately 2,000 square miles of land. The County had 702,434 residents in 2022 according to the U.S. Census Bureau estimate, ranking the County as the second largest populated county in the State.

The City estimates it has reached 70% of its full “built out” of residential land, 72% of full buildout of commercial land and 37% of industrial land.

The City maintains a web site at <http://www.spanishfork.org>. For the contact person for the City see “INTRODUCTION—Contact Persons” above.

Form Of Government

State statutes detail the functions to be performed by State municipalities. Title 10, Utah Code, generally sets out laws to provide for the incorporation, organization, and classification of cities and towns based upon population. The City is a third-class city. State law allows cities of the third class to choose government either by mayor and city council or by mayor, council, and city manager. The City is organized under general law and governed by a Mayor–Council form of government, with five City Council members serving four-year terms (who are elected from districts). The Mayor, who is elected at large by voters for a four-year term, chairs the City Council and votes to break a tie and has some statutory, legislative, judicial, and ex officio powers. City Manager powers are described and governed by an ordinance or resolution passed by the City Council.

The City Council is charged with the responsibility of performing the legislative functions of the City.

The principal powers and duties of State municipalities are to maintain law and order, abate nuisances, guard public health and sanitation, promote recreation, provide fire protection, and to construct and maintain streets, sidewalks, waterworks and sewers. Municipalities also regulate commercial and residential development within their boundaries by means of zoning ordinances, building codes and licensing procedures.

The current Mayor, City Council and certain administrative officers of the City have the following respective terms in office:

Office	Person	Years of Service	Expiration of Current Term
Mayor	Mike Mendenhall	10	January 2026
Council Member	Landon Tooke	1	January 2028
Council Member	Stacy Beck	8	January 2028
Council Member	Jesse Cardon (1)	3	January 2028
Council Member	Shane Marshall (1)	6	January 2026
Council Member	Kevin Oyler (1)	6	January 2026
City Manager	Seth Perrins	20	Appointed
Assistant City Manager	Tyler Jacobson	17	Appointed
City Engineer	Chris Thompson, PE	30	Appointed
Wastewater Division Manager	Cory Pierce, PE	12	Appointed
City Attorney	Vaughn Pickell, Esq.	5	Appointed
Finance Director	Jordan Hales	15	Appointed

(1) Includes service in various capacities at the City.

(Source: the City.)

Employee Workforce And Retirement System; No Post–Employment Benefits

Employee Workforce and Retirement System. The City currently employs 253 full–time employees. The City participates in cost–sharing multiple employer defined benefit pension plans covering public employees of the State and employees of participating local government entities administered by the Utah State Retirement Systems (“URS”). The retirement system provides refunds, retirement benefits, annual cost of living adjustment and death benefits to plan members and beneficiaries in accordance with retirement statutes.

For a detailed discussion regarding retirement benefits and contributions “APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2023—Notes To The Basic Financial Statements—Note 4. Other Notes—4F. Employee Pension and Other Benefit Plans” (audit page 57).

No Post–Employment Benefits. The City has not provided past or present post–employment benefits to its employees.

Risk Management

Property. The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. All real property and all vehicles, including heavy equipment, are insured through commercial policies, and injuries to employees are insured through employees’ workers compensation. Settled claims have not exceeded the City’s insurance coverage for any of the past three years. The City does carry earthquake policies. All general liability is insured through Utah Risk Management Mutual Association, a risk pool to which the City belongs, along with 15 other cities in Utah. Rights and responsibilities of member cities are governed by an interlocal risk pool agreement. The City believes its risk management policies and coverages are normal and within acceptable coverage limits for the type of services the City provides. See “APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2023—Notes To The Financial Statements—Note 4A. Risk Management” (audit page 52).

Cybersecurity. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City’s systems technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage by cybersecurity incidents or cyberattacks, the City invests in multiple forms of cybersecurity and operational safeguards. Operational safeguards include a firewall/router with extensive access control lists, separate internal networks, protection of wireless access to city networks, secure authenticated virtual private network connections and anti–virus programs. Additionally, the City has two separate policies that provide cybersecurity insurance.

Investment Of Funds

The State Money Management Act. The State Money Management Act, Title 51, Chapter 7 of the Utah Code (the “Money Management Act”), governs and establishes criteria for the investment of all public funds held by public treasurers in the State. The Money Management Act provides a limited list of approved investments, including qualified in–state and permitted out–of–state financial institutions, obligations of the State and political subdivisions of the State, U.S. Treasury and approved federal government agency and instrumentality securities, certain investment agreements and repurchase agreements and investments in corporate securities meeting certain ratings requirements. The Money Management Act establishes the State Money Management Council (the “Money Management Council”) to exercise oversight of public deposits and investments. The Money Management Council is comprised of five members appointed by the Governor of the State for terms of four years, after consultation with the State Treasurer and with the advice and consent of the State Senate.

The City is currently complying with all provisions of the Money Management Act for all City funds.

The Utah Public Treasurers’ Investment Fund. A significant portion of City funds may be invested in the Utah Public Treasurers Investment Fund (“PTIF”). The PTIF is a local government investment fund, established in 1981, and managed by the State Treasurer. All investments in the PTIF must comply with the Money Management Act and rules of the Money Management Council. The PTIF invests primarily in money market securities. Securities in the PTIF include certificates of deposit, commercial paper, short–term corporate notes, obligations of the U.S. Treasury and securities of certain agencies of the federal government. By policy, the maximum weighted average adjusted life of the portfolio is not to exceed 90 days and the maximum final maturity of any security purchased by the PTIF is limited to five years. Safekeeping and audit controls for all investments owned by the PTIF must comply with the Money Management Act.

All securities purchased are delivered versus payment to the custody of the State Treasurer or the State Treasurer’s safe-keeping bank, assuring a perfected interest in the securities. Securities owned by the PTIF are completely segregated from securities owned by the State. The State has no claim on assets owned by the PTIF except for any investment of State moneys in the PTIF. Deposits are not insured or otherwise guaranteed by the State.

Investment activity of the State Treasurer in the management of the PTIF is reviewed monthly by the Money Management Council and is audited by the State Auditor. The PTIF is not rated.

See “APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2023—Notes To The Financial Statements—Note 3A. Cash and Investments” (audit page 39).

Investment of 2024A Bond Proceeds. Certain proceeds of the 2024A Bonds, for the 2024 Project, will be held by the Trustee and invested to be readily available. The 2024A Bond proceeds may also be invested in the PTIF or other available investment funds authorized under the Money Management Act.

Population

The population of the City and the County and the percent change from the prior period is as follows:

Year	City	% Change From Prior Period	County	% Change From Prior Period
2022 Estimate.....	44,102	3.5%	702,434	6.5%
2020 Census.....	42,600	22.8	659,392	27.6
2010 Census.....	34,691	71.3	516,564	40.2
2000 Census.....	20,246	79.6	368,536	39.8
1990 Census.....	11,272	14.7	263,590	20.9

(Source: U.S. Department of Commerce, Bureau of the Census.)

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Employment, Income, Construction, (within Spanish Fork City), And Sales Taxes Within Spanish Fork City, Utah County And The State of Utah

Labor Force, Nonfarm Jobs and Wages within Utah County

	Calendar Year (1)				
	2023 (2)	2022	2021	2020	2019
Civilian labor force	354,477	345,161	332,018	314,022	307,609
Employed persons	345,739	337,880	324,289	302,248	300,283
Unemployed persons	8,738	7,281	7,729	11,774	7,326
Total private sector (average)	274,075	274,075	256,024	235,602	234,594
Agriculture, forestry, fishing and hunting	1,117	1,172	1,265	1,222	1,229
Mining	267	271	256	170	151
Utilities	463	343	288	283	285
Construction	30,152	29,565	26,893	25,809	24,939
Manufacturing	23,430	22,936	21,044	19,427	19,694
Wholesale trade	7,664	7,987	7,828	7,181	7,114
Retail trade	33,771	34,243	35,960	33,112	33,151
Transportation and warehousing	4,924	5,005	4,997	4,052	3,629
Information	13,421	15,435	14,722	13,660	13,810
Finance and insurance	9,460	9,399	9,364	7,485	6,097
Real estate and rental and leasing	3,904	3,580	3,499	3,218	3,162
Professional, scientific and technical	26,152	26,081	23,416	22,109	21,828
Management of companies/enterprises	2,806	2,614	1,919	1,855	1,713
Administrative/support/waste/remediation	16,962	17,299	17,718	15,824	15,453
Education services	25,406	25,628	24,638	24,350	25,499
Health care and social assistance	35,932	34,159	32,607	30,556	29,972
Arts, entertainment, and recreation	4,299	3,949	3,141	2,789	3,005
Accommodation and food services	23,743	22,003	19,993	18,055	19,338
Other services	7,513	6,976	6,461	5,667	5,754
Unclassified establishments	5	3	5	1	2
Total public sector (average)	35,110	33,369	32,818	32,053	32,241
Federal	1,160	1,091	1,080	1,164	1,073
State	9,539	9,275	9,234	9,227	9,112
Local	24,411	23,003	22,505	21,663	22,056
Total payroll (in millions) (3)	\$17,503	\$17,116	\$15,498	\$13,689	\$12,358
Average monthly wage	\$4,683	\$4,785	\$4,472	\$4,262	\$3,859
Average employment	306,240	302,015	288,842	267,655	266,834
Establishments	21,906	23,824	22,372	18,571	17,698

(1) Utah Department of Workforce Services.

(2) As of second quarter.

(3) Annualized based on the first and second quarter payroll.

Labor Force, Nonfarm Jobs and Wages within Utah County—Continued

	% change from prior year (4)				
	2022–23(5)	2021–22	2020–21	2019–20	2018–19
Civilian labor force	2.7	4.0	5.7	2.1	2.9
Employed persons	2.3	4.2	7.3	0.7	3.3
Unemployed persons	20.0	(5.8)	(34.4)	60.7	(11.7)
Total private sector (average)	0.0	7.1	8.7	0.4	3.1
Agriculture, forestry, fishing and hunting	(3.9)	(7.4)	3.5	(0.6)	3.4
Mining	(2.9)	5.9	50.6	12.6	13.5
Utilities	37.0	19.1	1.8	(0.7)	(2.1)
Construction	1.5	9.9	4.2	3.5	1.3
Manufacturing	2.6	9.0	8.3	(1.4)	2.9
Wholesale trade	(5.9)	2.0	9.0	0.9	(0.5)
Retail trade	(1.5)	(4.8)	8.6	(0.1)	0.7
Transportation and warehousing	(0.7)	0.2	23.3	11.7	3.1
Information	(13.6)	4.8	7.8	(1.1)	8.0
Finance and insurance	(0.8)	0.4	25.1	22.8	5.0
Real estate and rental and leasing	9.6	2.3	8.7	1.8	5.2
Professional, scientific, and technical	0.6	11.4	5.9	1.3	2.3
Management of companies/enterprises	6.6	36.2	3.5	8.3	9.9
Administrative/support/waste/remediation	(5.8)	(2.4)	12.0	2.4	2.3
Education services	6.3	4.0	1.2	(4.5)	2.1
Health care and social assistance	5.6	4.8	6.7	1.9	4.8
Arts, entertainment and recreation	11.2	25.7	12.6	(7.2)	14.0
Accommodation and food services	9.8	10.1	10.7	(6.6)	4.5
Other services	9.1	8.0	14.0	(1.5)	5.3
Unclassified establishments	400.0	(40.0)	400.0	(50.0)	100.0
Total public sector (average)	4.6	1.7	2.4	(0.6)	3.0
Federal	6.1	1.0	(7.2)	8.5	2.1
State	3.3	0.4	0.1	1.3	1.7
Local	5.0	2.2	3.9	(1.8)	3.5
Total payroll (in millions) (6)	7.1	10.4	13.2	10.8	7.8
Average monthly wage	3.4	7.0	4.9	10.4	4.6
Average employment	1.8	4.6	7.9	0.3	3.1
Establishments	3.5	6.5	20.5	4.9	5.9

(4) Utah Department of Workforce Services.

(5) As of second quarter.

(6) Annualized based on the first and second quarter payroll.

Personal Income; Per Capita Personal Income; Median Household Income within Utah County and the State of Utah (1)

	Calendar Year				
	2022	2021	2020	2019	2018
Total Personal Income (in \$1,000's):					
Utah County	\$37,799,378	\$34,702,132	\$31,321,836	\$27,354,876	\$25,649,738
% change from prior year	8.9%	10.8%	14.5%	6.6%	8.8%
State of Utah	201,038,149	186,990,527	171,385,445	157,045,208	145,255,769
% change from prior year	7.5%	9.1%	9.1%	8.1%	7.8%
Total Per Capita Personal Income:					
Utah County	53,812	50,661	47,232	42,995	41,269
% change from prior year	6.2%	7.3%	9.9%	4.2%	6.1%
State of Utah	59,457	56,019	52,225	48,580	45,665
% change from prior year	6.1%	7.3%	7.5%	6.4%	5.1%
Median Household Income:					
Utah County	91,263	86,781	77,057	79,505	75,296
% change from prior year	5.2%	12.6%	-3.1%	5.6%	8.2%
State of Utah	86,833	79,449	74,197	75,705	71,381
% change from prior year	9.3%	7.1%	-2.0%	6.1%	4.4%

(1) Source: U.S. Department of Commerce; Bureau of Economic Analysis and U.S. Census Bureau.

Construction within the City

	Calendar Year				
	2023 (1)	2022	2021	2020	2019
Number new dwelling units	229	836	661	440	286
% change from prior year	(39.7)%	26.5%	50.2%	53.8%	(37.8)%
New (in \$1,000's):					
Residential value	\$ 66,580	\$176,654	\$141,178	\$108,905	\$ 77,102
% change from prior year	(31.2)%	25.1%	29.6%	41.2%	(27.6)%
Non-residential value	81,571	129,601	176,422	45,248	30,060
% change from prior year	33.0%	(26.5)%	289.9%	50.5%	(7.6)%
Additions, alterations, repairs (in \$1,000's):					
Residential value	-	10,232.3	6,338	9,179	7,173
% change from prior year	NA	61.4%	(31.0)%	28.0%	(63.8)%
Non-residential value	4,284.6	26,916.9	96,013	12,017	27,995
% change from prior year	(65.0)%	(72.0)%	699.0%	(57.1)%	278.2%
Total construction value (in \$1,000's)	152,435	343,404	419,954	175,350	142,329
% change from prior year	(14.4)%	(18.2)%	139.5%	23.2%	(14.4)%

(1) Through June 2023. Breakout of numbers between residential value and non-residential value not available for 2023. The 2023 construction data through June 2023 is compared to construction data through June 2022.

Sales Taxes within the City, County, and the State (1)

	Calendar Year				
	2023 (2)	2022	2021	2020	2019
Gross Taxable Sales (in \$1,000's):					
State of Utah	\$100,669,917	100,893,345	90,105,222	74,730,706	\$68,923,140
% change from prior year	(0.2)%	12.0%	20.6%	8.4%	6.1%
Utah County	17,468,642	17,488,593	15,630,707	12,811,206	11,242,703
% change from prior year	(0.1)%	11.9%	22.0%	14.0%	10.6%
Spanish Fork (5)	1,473,595	1,484,076	1,332,360	1,066,989	879,478
% change from prior year	(0.7)%	11.4%	24.9%	21.3%	13.6%

(1) Source: Utah State Tax Commission.

(2) Preliminary; subject to change. December 2023 sales tax data has not yet been finalized.

	Fiscal Year				
	2023	2022	2021	2020	2019
Local Sales and Use Tax Distribution:					
Utah County (and all cities)	183,883,573	\$183,176,900	\$158,258,730	\$123,651,764	\$131,743,647
% change from prior year	0.4%	15.7%	28.0%	-6.1%	19.0%
Spanish Fork	13,487,649	12,839,769	10,731,036	8,850,164	7,975,128
% change from prior year	5.0%	19.7%	21.3%	11.0%	7.3%

(1) Source: Utah State Tax Commission.

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Largest Employers

The City is an integral part of the economy of the County. In reviewing the economic conditions of the City, the economy of the entire County must be considered. The City is primarily a residential community in the southern portion of the County. The following is a list of the largest employers in the City and the County.

Firm (location)	Business	Range of Employees
<i>Major Employers in the City</i>		
Utah County (Sheriff's Department)	Public Administration	500-999
Smokey's Smokehouse Inc.	Manufacturing	500-999
Costco Wholesale	Warehouse Clubs and Supercenters	250-499
Hydro Extrusion USA	Manufacturing	250-499
Natures Sunshine Products	Pharmaceutical	250-499
Spanish Fork Hospital	Health Care	250-499
SunRoc Corporation	Construction	250-499
Wal-Mart Corporation	Retail Trade	250-499
Young Living Essential Oils	Direct Selling	250-499
<i>Mayor Employers in the County</i>		
Brigham Young University (Provo)	Higher Education	15,000 - 19,999
Wal-Mart (county-wide)	Warehouse Clubs and Supercenters	7,000 - 9,999
Alpine School District (northern county-wide)	Public Education	7,000 - 9,999
Utah Valley University (Orem)	Higher Education	5,000 - 6,999
Intermountain Health Care	Health Care	5,000 - 6,999
Nebo School District (Spanish Fork)	Public Education	3,000 - 3,999
Vivint (county-wide)	Building Equipment Contractors	3,000 - 3,999
State of Utah	State Government	3,000 - 3,999
Doterra International (Pleasant Grove)	Essential Oils Distribution	2,000 - 2,999
Smiths Food And Drug (county-wide)	Grocery Stores	2,000 - 2,999
Young Living Essential Oils (Lehi)	Essential Oils Distribution	2,000 - 2,999
Adobe Systems (Lehi)	Software Publishers	1,000 - 1,999
Central Utah Medical Clinic (Provo)	Health Care	1,000 - 1,999
Provo City School District (Provo)	Public Education	1,000 - 1,999
Splash Summit Resort	Amusement and Recreation	1,000 - 1,999
Qualtrics (Provo)	Technical Services	1,000 - 1,999
Core Innovative Solutions	Amusement and Recreation	1,000 - 1,999
US Postal Service (county-wide)	Postal Service	1,000 - 1,999
Tpon	Health Care	1,000 - 1,999
Chrysalis (Provo)	Individual Family Services	1,000 - 1,999
Provo City Corporation	Local Government	1,000 - 1,999
Costco Wholesale (county-wide)	Warehouse Clubs and Supercenters	1,000 - 1,999
Nestle Prepared Foods Company	Food Manufacturing	1,000 - 1,999
Texas Instruments Incorporated	Semiconductor and Related Device Manufacturing	1,000 - 1,999
Entrada	Information Services	1,000 - 1,999

(Source: Utah Department of Workforce Services. Information as of Calendar Year 2022; updated October 2023.)

Rate Of Unemployment—Annual Average

Year	Utah County	State of Utah	United States
2023	2.9%	2.8%	3.7%
2022	2.4	2.4	3.5
2021	2.3	2.7	5.3
2020	3.8	4.7	8.1
2019	2.4	3.0	3.8

(Source: Utah Department of Workforce Services.)

Taxable, Fair Market And Market Value Of Property Of The City

Calendar Year	Taxable Value (1)	% Change Over Prior Year	Fair Market/ Market Value (2)	% Change Over Prior Year
2023	\$4,991,909,648	9.3%	\$7,564,365,743	8.3%
2022	4,568,998,936	34.9	6,984,442,075	35.3
2021	3,388,163,985	11.8	5,160,555,817	12.5
2020	3,031,443,395	10.8	4,585,677,117	10.7
2019	2,735,499,610	14.0	4,143,306,999	14.2

(1) Taxable valuation includes redevelopment agency valuation but excludes semi-conductor manufacturing equipment ("SCME"). The estimated redevelopment agency valuation for Calendar Year 2023 was approximately \$12.2 million; for Calendar Year 2022 was approximately \$9.3 million; for Calendar Year 2021 was approximately \$6.7 million; for Calendar Year 2020 was approximately \$6.4 million; and for Calendar Year 2019 was approximately \$38.2 million.

(2) Estimated fair market values were calculated by dividing the taxable value of primary residential property by 55%, which eliminates the 45% exemption on primary residential property granted under the Property Tax Act. Does not include market valuation for SCME.

(Source: Information taken from reports of the State Tax Commission. Compiled by the Municipal Advisor.)

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Historical Summaries Of Taxable Value Of Property Of The City

	Taxable Value/Calendar Year				
	2023	2022	2021	2020	2019
Set by State Tax Commission (centrally assessed)					
Total centrally assessed	<u>\$24,285,216</u>	<u>\$32,005,502</u>	<u>\$31,793,174</u>	<u>\$31,799,013</u>	<u>\$27,840,384</u>
Set by County Assessor (locally assessed)					
Real property (1)					
Primary residential	3,143,252,365	2,951,534,531	2,166,035,300	1,899,397,610	1,720,429,433
Secondary residential	31,016,600	33,498,800	7,526,100	7,062,300	3,552,740
Commercial and industrial	1,191,189,116	961,773,516	767,300,039	738,301,089	661,335,489
FAA (greenbelt)	650,892	864,298	923,668	970,063	1,044,188
Unimproved non-FAA (2)	324,116,760	316,338,228	200,156,219	153,779,012	134,169,686
Agricultural	<u>1,908,800</u>	<u>1,601,300</u>	<u>1,560,100</u>	<u>1,577,500</u>	<u>1,472,800</u>
Total real property	<u>4,692,134,533</u>	<u>4,265,610,673</u>	<u>3,143,501,426</u>	<u>2,801,087,574</u>	<u>2,522,004,336</u>
Personal property					
Primary mobile homes	860,640	673,750	221,384	221,384	224,042
Secondary mobile homes	-	-	-	-	-
Other business	274,629,259	270,709,011	212,648,001	198,335,424	185,430,848
SCME	6	-	-	-	-
Total personal property	<u>275,489,905</u>	<u>271,382,761</u>	<u>212,869,385</u>	<u>198,556,808</u>	<u>185,654,890</u>
Total locally assessed	<u>4,967,624,438</u>	<u>4,536,993,434</u>	<u>3,356,370,811</u>	<u>2,999,644,382</u>	<u>2,707,659,226</u>
Total taxable value	<u>\$4,991,909,654</u>	<u>\$4,568,998,936</u>	<u>\$3,388,163,985</u>	<u>\$3,031,443,395</u>	<u>\$2,735,499,610</u>
Total taxable value (3)	<u>\$4,991,909,648</u>	<u>\$4,568,998,936</u>	<u>\$3,388,163,985</u>	<u>\$3,031,443,395</u>	<u>\$2,735,499,610</u>

(1) Land and buildings.

(2) Vacant.

(3) Not including taxable valuation associated with SCME.

(Source: Information taken from reports of the State Tax Commission. Compiled by the Municipal Advisor.)

DEBT STRUCTURE OF SPANISH FORK CITY, UTAH

Outstanding Sewer Revenue Bonded Indebtedness

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2024B (a) (1)	Sewer	\$ 4,500,000	September 1, 2045	\$ 4,500,000*
2024A (a) (2)	Sewer	40,100,000	September 1, 2044	40,100,000*
2020 (3)	Sewer (Green Bonds)	73,345,000	September 1, 2040	<u>70,550,000</u>
Total				<u>\$115,150,000*</u>

(a) Preliminary; subject to change. These bonds are considered issued and outstanding as of the date of this OFFICIAL STATEMENT.

(1) Not rated, no rating applied for. The 2024B Bonds will be sold as a direct purchase to the Utah Department of Water Quality at an estimated interest rate of 1.12%. The 2024B Bonds are expected to close on or shortly after the closing of the 2024A Bonds, as of the date of this OFFICIAL STATEMENT.

(2) Rated "AA-" (stable outlook) by S&P, as of the date of this OFFICIAL STATEMENT.

(3) Rated "AA" (stable outlook) (BAM insured; underlying "A+" (stable outlook)) by S&P, as of the date of this OFFICIAL STATEMENT.

(Source: the Municipal Advisor.)

Outstanding Sales Tax Revenue Bonded Indebtedness

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2014 (1)	Refunding	\$13,305,000	April 15, 2027	<u>\$6,080,000</u>

(1) Rated “AA” by S&P, as of the date of this OFFICIAL STATEMENT.

(Source: the Municipal Advisor.)

Outstanding Water Revenue Bonded Indebtedness

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2020 (1)	Water	\$10,685,000	June 1, 2037	\$10,170,000
2011 (2)	Water	2,040,000	June 1, 2032	<u>1,012,000</u>
Total				<u>\$11,182,000</u>

(1) Rated “AA-” by S&P, as of the date of this OFFICIAL STATEMENT.

(2) Not rated; no rating applied for. Purchased by the State of Utah, Division of Drinking Water at 1.87% per annum.

(Source: the Municipal Advisor.)

Other Financial Considerations

Future issuance of debt. In addition to the 2024A Bonds and the 2024B Bonds (and any refunding opportunities), the City may issue Sales Tax Revenue Bonds and debt to finance a new public works facility within the next three years. The City reserves the right to issue Additional Parity Bonds as specified in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024A BONDS—Issuance of Additional Bonds” herein.

Joint Ventures. The City participates in a joint venture with several other local municipal entities for electricity purposes and solid waste disposal see “APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2023—Notes To Basic Financial Statements—Note 4. Other Notes—4.C Joint Ventures—Utah Municipal Power Agency” (audit page 50) and “—Note 4. Other Notes—4.C Joint Ventures—South Utah Valley Solid Waste District” (audit page 51).

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Debt Service Schedule Of Sewer Revenue Bonds By Fiscal Year

Fiscal Year Ending June 30	Series 2024B \$4,500,000*		Series 2024A \$40,100,000*	
	Principal*	Interest (b)	Principal*	Interest (a)
2023	\$ -	\$ -	\$ -	\$ -
2024	-	-	-	-
2025	-	23,380	-	1,638,800
2026	-	50,400	1,210,000	1,813,400
2027	202,000	50,400	1,275,000	1,751,275
2028	204,000	48,138	1,340,000	1,685,900
2029	207,000	45,853	1,410,000	1,617,150
2030	209,000	43,534	1,480,000	1,544,900
2031	211,000	41,194	1,555,000	1,469,025
2032	214,000	38,830	1,635,000	1,389,275
2033	216,000	36,434	1,720,000	1,305,400
2034	218,000	34,014	1,810,000	1,217,150
2035	221,000	31,573	1,900,000	1,124,400
2036	223,000	29,098	2,000,000	1,026,900
2037	226,000	26,600	2,100,000	924,400
2038	228,000	24,069	2,210,000	816,650
2039	231,000	21,515	2,320,000	703,400
2040	233,000	18,928	2,430,000	596,800
2041	236,000	16,318	2,525,000	497,700
2042	239,000	13,675	2,630,000	394,600
2043	241,000	10,998	2,735,000	287,300
2044	244,000	8,299	2,850,000	175,600
2045	247,000	5,566	2,965,000	59,300
2046	<u>250,000</u>	<u>2,800</u>	-	-
Totals	<u>\$4,500,000</u>	<u>\$621,617</u>	<u>\$40,100,000</u>	<u>\$22,039,325</u>

*Preliminary; subject to change.

(a) Preliminary; subject to change; interest rate estimated at 5.00% per annum for Fiscal Years 2025 – 2039 and 4.00% per annum from Fiscal Years 2040 – 2045.

(b) Preliminary; subject to change; interest rate estimated at 1.12% per annum.

(Source: the Municipal Advisor.)

Debt Service Schedule Of Sewer Revenue Bonds By Fiscal Year—Continued

Fiscal Year Ending June 30	Series 2020 \$73,345,000		Total	Total	Total
	Principal	Interest	Principal*	Interest*	Debt Service*
2023	\$ -	\$2,430,450	\$ -	\$2,430,450	\$2,430,450
2024	2,795,000	2,360,575	2,795,000	2,360,575	5,155,575
2025	2,925,000	2,217,575	2,925,000	3,879,755	6,804,755
2026	3,075,000	2,067,575	4,285,000	3,931,375	8,216,375
2027	3,250,000	1,909,450	4,727,000	3,711,125	8,438,125
2028	3,400,000	1,743,200	4,944,000	3,477,238	8,421,238
2029	3,575,000	1,568,825	5,192,000	3,231,828	8,423,828
2030	3,775,000	1,385,075	5,464,000	2,973,509	8,437,509
2031	3,975,000	1,191,325	5,741,000	2,701,544	8,442,544
2032	4,150,000	1,008,950	5,999,000	2,437,055	8,436,055
2033	4,325,000	839,450	6,261,000	2,181,284	8,442,284
2034	4,450,000	708,450	6,478,000	1,959,614	8,437,614
2035	4,525,000	623,225	6,646,000	1,779,198	8,425,198
2036	4,625,000	536,250	6,848,000	1,592,248	8,440,248
2037	4,700,000 (1)	443,000	7,026,000	1,394,000	8,420,000
2038	4,800,000 (1)	348,000	7,238,000	1,188,719	8,426,719
2039	4,900,000	251,000	7,451,000	975,915	8,426,915
2040	5,000,000	152,000	7,663,000	767,728	8,430,728
2041	5,100,000	51,000	7,861,000	565,018	8,426,018
2042	-	-	2,869,000	408,275	3,277,275
2043	-	-	2,976,000	298,298	3,274,298
2044	-	-	3,094,000	183,899	3,277,899
2045	-	-	3,212,000	64,866	3,276,866
2046	-	-	250,000	2,800	252,800
Totals	<u>\$73,345,000</u>	<u>\$21,835,375</u>	<u>\$117,945,000</u>	<u>\$44,496,317</u>	<u>\$162,441,317</u>

*Preliminary; subject to change.

(1) Mandatory sinking fund principal payments from a \$9,500,000 2.00%, term bond due September 1, 2038.

(Source: the Municipal Advisor.)

Debt Service Schedule Of Outstanding Sales Tax Revenue Bonds By Fiscal Year

Fiscal Year Ending June 30	Series 2014 \$13,305,000		Total Debt Service
	Principal	Interest	
2023	\$1,335,000	\$ 339,000	\$1,674,000
2024	1,415,000	272,250	1,687,250
2025	1,490,000	201,500	1,691,500
2026	1,570,000	127,000	1,697,000
2027	<u>1,605,000</u>	<u>64,200</u>	<u>1,669,200</u>
Totals	<u>\$7,415,000</u>	<u>\$1,003,950</u>	<u>\$8,418,950</u>

(Source: the Municipal Advisor.)

Debt Service Schedule Of Outstanding Water Revenue Bonds By Fiscal Year

Fiscal Year Ending June 30	Series 2020 \$10,685,000		Series 2011 \$2,040,000		Totals		
	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Debt Service
2023	\$ 515,000	\$ 376,950	\$ 102,000 (2)	\$ 20,832	\$ 617,000	\$ 397,782	\$ 1,014,782
2024	540,000	351,200	104,000 (2)	18,924	644,000	370,124	1,014,124
2025	570,000	324,200	106,000 (2)	16,980	676,000	341,180	1,017,180
2026	600,000	295,700	108,000 (2)	14,997	708,000	310,697	1,018,697
2027	625,000	265,700	110,000 (2)	12,978	735,000	278,678	1,013,678
2028..	660,000	234,450	113,000 (2)	10,921	773,000	245,371	1,018,371
2029.	690,000	201,450	114,000 (2)	8,808	804,000	210,258	1,014,258
2030.	725,000	166,950	117,000 (2)	6,676	842,000	173,626	1,015,626
2031.	765,000	130,700	119,000 (2)	4,488	884,000	135,188	1,019,188
2032.	785,000	107,750	121,000 (2)	2,263	906,000	110,013	1,016,013
2033	810,000	84,200	—	—	810,000	84,200	894,200
2034	825,000 (1)	68,000	—	—	825,000	68,000	893,000
2035.	840,000 (1)	51,500	—	—	840,000	51,500	891,500
2036	860,000	34,700	—	—	860,000	34,700	894,700
2037	<u>875,000</u>	<u>17,500</u>	<u>—</u>	<u>—</u>	<u>875,000</u>	<u>17,500</u>	<u>892,500</u>
Totals	<u>\$10,685,000</u>	<u>\$2,710,950</u>	<u>\$1,114,000</u>	<u>\$117,866</u>	<u>\$11,799,000</u>	<u>\$2,828,816</u>	<u>\$14,627,816</u>

(1) Mandatory sinking fund principal payments from a \$1,665,000, 2.00%, term bond due June 1, 2035.

(2) Mandatory sinking fund principal payments from a \$1,114,000, 1.87%, term bond due June 1, 2032.

(Source: the Municipal Advisor.)

Overlapping and Underlying General Obligation Debt

Taxing Entity	2023 Taxable Value (1)	City's Portion of Taxable Value	City's Percentage	Entity's General Obligation Debt	City's Portion of General Obligation Debt
<i>Overlapping:</i>					
State of Utah	\$537,049,019,525	\$4,991,909,648	0.9%	\$1,469,510,000	\$13,659,202
CUWD (2)	303,710,134,260	4,991,909,648	1.7	116,365,000	1,912,625
Nebo School District	18,765,899,524	4,991,909,648	26.6	208,420,000	<u>55,441,723</u>
Total Overlapping					<u>\$71,013,550</u>
<i>Underlying:</i>					
Total Underlying					0
Total <i>overlapping</i> and underlying general obligation debt (excluding the State) (3)					<u>\$57,354,348</u>
Total <i>direct</i> general obligation bonded indebtedness					<u>0</u>
Total <i>direct and overlapping</i> general obligation debt (excluding the State)					<u>\$57,354,348</u>

This table excludes any additional principal amounts attributable to unamortized original issue bond premium.

- (1) Preliminary; subject to change. Taxable value used in this table *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (2) Central Utah Water Conservancy District ("CUWCD") outstanding general obligation bonds are limited ad valorem tax bonds. Certain portions of the principal of and interest on CUWCD's general obligation bonds are paid from revenues received from the sales of water.
- (3) The State's general obligation debt is not included in overlapping debt because the State currently levies no property tax for payment of general obligation bonds.

(Source: the Municipal Advisor.)

Debt Ratios Regarding General Obligation Debt

The following table sets forth the ratios of general obligation debt (excluding any additional principal amounts attributable to unamortized original issue bond premium) that is expected to be paid from taxes levied specifically for such debt and not from other revenues over the taxable value of property within the City, the estimated market value of such property and the population of the City. *The State's general obligation debt is not included in the debt ratios because the State currently levies no property tax for payment of general obligation debt.*

	To 2023 Estimated Taxable Value (1)	To 2023 Estimated Market Value (2)	Population Estimate Per Capita (3)
Direct general obligation debt	0.00%	0.00%	\$ 0
Direct and overlapping general obligation debt	1.15	0.76	1,300

- (1) Based on a 2023 Taxable Value of \$4,991,909,648, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (2) Based on a 2023 Market Value of \$7,564,365,743, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (3) Based on 2022 population estimate of 44,102 by the U.S. Census Bureau.

(Source: the Municipal Advisor.)

General Obligation Legal Debt Limit And Additional Debt Incurring Capacity

The general obligation indebtedness of the City is limited by State law to 12% of the fair market value of taxable property in the City (4% for general purposes and an additional 8% for sewer, water and electric purposes) as computed from the *last equalized property tax assessment roll* for State or County purposes prior to incurring the debt. The legal debt limit and additional debt incurring capacity of the City are based on the fair market value for 2023 and the calculated valuation value from 2022 uniform fees, and are calculated as follows:

2023 "Fair Market Value"	\$7,564,365,743
2022 valuation from Uniform Fees (1)	<u>17,175,008</u>
2023 "Fair Market Value for Debt Incurring Capacity"	<u>\$7,581,540,751</u>

	<u>8% Sewer, Water and Electric</u>	<u>4% Other Purposes</u>	<u>12% Total</u>
"Fair Market Value" x .08	\$606,523,260	\$ —	\$606,523,260
"Fair Market Value" x .04	<u>—</u>	<u>303,261,630</u>	<u>303,261,630</u>
Total debt incurring capacity	606,523,260	303,261,630	909,784,890
Less: current outstanding general obligation debt	<u>0</u>	<u>0</u>	<u>0</u>
Additional debt incurring capacity	<u>\$606,523,260</u>	<u>\$303,261,630</u>	<u>\$909,784,890</u>

- (1) For debt incurring capacity only, in computing the fair market value of taxable property in the City, the value of all motor vehicles and state-assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) will be included as a part of the fair market value of the taxable property in the City.

(Source: the Municipal Advisor.)

No Defaulted Obligations

The City has never failed to pay principal of and interest on any of its financial obligations when due.

FINANCIAL INFORMATION REGARDING SPANISH FORK CITY, UTAH

Fund Structure; Accounting Basis

The accounts of the City are organized on the basis of funds or groups of accounts, each of which is considered to be a separate accounting entity. The operations of each fund or account group are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures or expenses. The various funds are grouped by type in the combined financial statements.

Revenues and expenditures are recognized using the modified accrual basis of accounting in all governmental funds. Revenues are recognized in the accounting period in which they become both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. "Available" means that amounts are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues on cost-reimbursement grants are accrued when the related expenditures are incurred.

In proprietary funds, revenues and expenses are recognized using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred.

Budget And Budgetary Accounting

The budget and appropriation process of the City is governed by the Uniform Fiscal Procedures Act for Utah Cities (the "Fiscal Procedures Act"). Pursuant to the Fiscal Procedures Act, the budget officer of the City is required to prepare budgets for the general fund, special revenue funds, debt service funds and capital improvement funds. These budgets are to provide a complete financial plan for the budget (ensuing fiscal) year. Each budget is required to specify, in tabular form, estimates of anticipated revenues and appropriations for expenditures. Under the Fiscal Procedures Act, the total of anticipated revenues must equal the total of appropriated expenditures.

On or before the first regular meeting of the City Council of the City in May of each year, the budget officer is required to submit to the City Council tentative budgets for all funds for fiscal year commencing July 1. Various actual and estimated budget data are required to be set forth in the tentative budgets. The budget officer and mayor may revise the budget requests submitted by the heads of City departments, these submissions with the City Council together with the tentative budget. The budget officer is required to estimate in the tentative budget the revenue from non-property tax sources available for each fund

and the revenue from general property taxes required by each fund. The tentative budget is then tentatively adopted by the City Council, with any amendments or revisions that the City Council deems advisable prior to the public hearing on the tentative budget. After public notice and hearing, the tentative budget is adopted by the City Council, subject to further amendment or revisions by the City Council prior to adoption of the final budget.

Prior to June 22 of each year, the final budgets for all funds are adopted by the City Council. The Fiscal Procedures Act prohibits the City Council from making any appropriation in the final budget of any fund in excess of the estimated expendable revenue of such fund. The adopted final budget is subject to amendment by the City Council during the fiscal year. However, in order to increase the budget total of any fund, public notice and hearing must be provided. Intra- and inter-department transfers of appropriation balances are permitted upon compliance with the Fiscal Procedures Act. The amount set forth in the final budget as the total amount of estimated revenue from property taxes constitutes the basis for determining the property tax levy to be set by the City Council for the succeeding tax year.

Financial Controls

The City utilizes a computerized financial accounting system which includes a system of budgetary controls. State law requires budgets to be controlled by individual departments, but the City has also empowered the Finance Director to maintain control of major categories within departments. These controls are such that a requisition will not be entered into the purchasing system unless the appropriated funds are available. The Finance Director checks for sufficient funds again prior to the purchase order being issued and again before the payment check is issued.

Sources Of General Fund Revenues

Set forth below are brief descriptions of the various sources of revenues available to the City's General Fund. The percentage of total General Fund revenues represented by each source is based on the City's audited Fiscal Year 2023 period total General Fund revenues were \$40,403,996.

Taxes—Approximately 55.2% (or \$22,303,681) of General Fund revenues are from taxes.

Intergovernmental Services—Approximately 13.3% (or \$5,382,107) of General Fund revenues are intergovernmental services.

Charges for Services—Approximately 13.1% (or \$5,283,740) of General Fund revenues are from charges for services.

Licenses and Permits—Approximately 8.5% (or \$3,419,522) of General Fund revenues are collected from licenses, permits and other revenues.

Sundry Revenue—Approximately 7.3% (or \$2,940,509) of General Fund revenues are from sundry revenue.

Interest Income—Approximately 2.3% (or \$918,238) of General Fund revenues are collected from interest income.

Fines and Forfeitures—Less than 1% (or \$156,199) of General Fund revenues are collected from fines and forfeitures.

Financial Summaries

The summaries contained herein were extracted from the City's financial statements for Fiscal Years 2019 through 2023. The summaries themselves have not been audited.

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City of Spanish Fork, Utah
Statement of Net Position

(This summary has not been audited)

	As of June 30				
	2023	2022	2021	2020	2019
Assets					
Cash and cash equivalents	\$81,367,241	\$76,437,714	\$61,785,839	\$48,693,630	\$58,150,580
Receivables (net of allowance)	14,464,669	13,917,706	20,640,920	10,381,760	8,471,701
Prepaid expenses	2,354	216,257	368,377	82,812	59,735
Inventory	4,311,251	2,672,280	2,108,069	1,882,007	1,880,828
Equity in joint venture	2,694,079	2,358,967	1,801,866	1,681,483	1,681,483
Bond issuance costs (net)	—	104,366,744	—	—	—
Restricted cash and cash equivalents	68,394,144	17,795,500	113,742,941	11,118,906	7,556,067
Note receivable from Mapleton City	17,134,083	6,656,686	17,897,750	—	—
Net pension asset	137,268	—	—	—	—
Capital assets (not being depreciated):					
Land	34,280,681	31,364,139	29,791,288	32,083,942	26,049,081
Water shares	7,483,062	6,943,282	6,483,230	6,197,677	6,067,361
Capital assets (net of accumulated depreciation):					
Buildings	50,885,908	38,237,916	33,953,742	27,680,000	24,401,883
Improvements other than buildings	361,591,335	307,770,635	260,612,783	199,932,257	180,457,867
Equipment	13,878,815	11,720,186	9,566,893	8,653,064	9,098,297
Infrastructure	<u>18,971,373</u>	<u>18,153,055</u>	<u>18,469,939</u>	<u>45,436,821</u>	<u>41,974,503</u>
Total assets	<u>675,596,263</u>	<u>638,611,067</u>	<u>577,223,637</u>	<u>393,824,359</u>	<u>365,849,386</u>
Deferred outflows of resources relating to pensions	<u>4,629,939</u>	<u>—</u>	<u>2,622,961</u>	<u>2,542,725</u>	<u>4,775,515</u>
Total assets and deferred outflows of resources	<u>\$680,226,202</u>	<u>\$638,611,067</u>	<u>\$579,846,598</u>	<u>\$396,367,084</u>	<u>\$370,624,901</u>

(Source: Information taken from the City's audited basic financial statements for the indicated years, compiled by the Municipal Advisor.)

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City of Spanish Fork, Utah
Statement of Net Position—Continued

(This summary has not been audited)

	As of June 30				
	2023	2022	2021	2020	2019
Liabilities, deferred inflows of resources and net position					
Liabilities					
Accounts payable	\$11,132,663	\$ 6,564,932	\$ 3,659,799	\$2,972,405	\$2,689,841
Developer escrows and deposits	19,488,911	17,439,833	11,446,505	7,235,750	7,811,193
Connectors agreement	1,019,476	496,820	652,513		
Compensated absences	3,756,621	3,475,483	3,256,724	2,951,473	2,852,525
Bond interest payable	917,444	936,654	141,709	141,190	246,683
Deferred revenue	47,963	26,920	50,507	993,255	970,080
Deferred amount of refunding	—	—	—	—	—
Bond premiums	—	—	—	—	—
Noncurrent liabilities:					
Cash held on behalf of Mapleton City	12,640,685	17,536,978	18,929,768	—	—
Net pension liability	3,478,241	(1,250)	1,588,106	5,475,593	9,559,162
Construction retainage payable	844,500	44,043			
Due within one year	6,162,242	3,323,242	3,122,242	2,101,000	2,065,405
Due in more than one year	<u>124,236,508</u>	<u>130,985,803</u>	<u>122,896,100</u>	<u>10,707,000</u>	<u>12,808,000</u>
Total liabilities	<u>183,725,254</u>	<u>180,829,458</u>	<u>165,743,973</u>	<u>32,577,666</u>	<u>39,002,889</u>
Deferred inflows of resources					
Deferred property tax revenue	5,062,294	4,795,770	3,598,067	3,451,910	2,561,190
Deferred grant revenue		2,421,040			
Relating to pensions	<u>275,362</u>	<u>10,697,509</u>	<u>5,015,520</u>	<u>2,559,353</u>	<u>291,228</u>
Total deferred inflows of resources	<u>5,337,656</u>	<u>17,914,319</u>	<u>8,613,587</u>	<u>6,011,263</u>	<u>2,852,418</u>
Net position					
Net investments in capital asset	366,605,036	290,365,927	243,922,014	307,318,444	273,306,103
Restricted for:					
Capital projects	9,183,305	21,556,302	3,073,359	—	—
Redevelopment agency	3,409,916	3,182,771	—	3,093,643	2,859,149
Impact fees					1,187,223
RAP programs	2,217,122	1,403,922	391,350		
Debt service	495,712	465,556	470,396	513,339	533,591
Bond requirements	239,065	239,065	239,065	239,065	239,065
Unrestricted	<u>109,013,136</u>	<u>125,967,296</u>	<u>157,397,854</u>	<u>46,613,684</u>	<u>50,644,463</u>
Total net position	<u>491,163,292</u>	<u>443,180,839</u>	<u>405,494,038</u>	<u>357,778,175</u>	<u>328,769,594</u>
Total liabilities, deferred inflows of resources and net position	<u>\$680,226,202</u>	<u>\$641,924,616</u>	<u>\$579,851,598</u>	<u>\$396,367,104</u>	<u>\$370,624,901</u>

(Source: Information taken from the City's audited basic financial statements for the indicated years, compiled by the Municipal Advisor.)

Spanish Fork, Utah
Statement of Activities (1)

(This summary has not been audited.)

	(Net (Expense) Revenue and Changes in Net Position)				
	Fiscal Year Ended June 30				
	2023	2022	2021	2020	2019
Primary government:					
Governmental activities:					
General government	\$11,327,238	\$13,087,223	\$ 2,968,354	\$ 4,588,479	\$ 2,732,113
Public safety	(5,576,988)	(9,467,303)	(7,204,056)	(1,062,546)	(3,966,717)
Public works	(4,806,119)	(6,213,750)	(8,933,747)	(7,842,486)	(2,869,530)
Parks, recreation and public property	(10,588,290)	(12,103,262)	2,665,565	(6,653,532)	(2,156,106)
Interest on long-term debt	<u>(993,091)</u>	<u>(858,064)</u>	<u>(625,832)</u>	<u>(514,203)</u>	<u>(561,213)</u>
Total governmental activities	<u>(10,637,250)</u>	<u>(15,555,156)</u>	<u>(11,129,716)</u>	<u>(11,484,288)</u>	<u>(6,821,453)</u>
Business-type activities:					
Water	5,713,449	6,361,461	5,509,343	2,490,545	2,530,247
Sewer	7,736,662	3,465,831	2,095,785	2,747,426	1,416,812
Electric	7,148,176	3,898,624	6,906,688	4,867,035	5,448,421
Streets & storm drain	6,111,112	13,319,637	13,876,960	8,877,035	6,698,039
Broadband	1,927,986	2,019,290	2,424,775	-	-
Garbage	(138,986)	233,572	80,188	425,224	137,485
Airport	178,859	(115,277)	727,469	-	-
Gun club	<u>51,325</u>	<u>(18,506)</u>	<u>35,894</u>	<u>(16,057)</u>	<u>(19,807)</u>
Total business-type activities	<u>28,268,215</u>	<u>29,164,632</u>	<u>31,585,314</u>	<u>19,391,208</u>	<u>16,211,197</u>
Total primary government	<u>17,630,965</u>	<u>13,609,476</u>	<u>20,455,598</u>	<u>7,906,920</u>	<u>9,389,744</u>
General revenues:					
Property taxes	5,344,754	4,259,495	4,040,761	3,402,355	3,467,262
Sales tax	17,765,035	16,747,962	14,311,240	12,029,215	10,278,030
Other taxes	391,012	392,187	386,563	420,119	458,925
Unrestricted investment earnings	5,792,599	1,252,223	1,131,964	1,167,393	1,404,372
Sundry revenues	2,530,376	1,321,740	1,408,532	4,145,291	-
Joint venture gain (loss)	335,112	557,101	120,383	-	108,704
Gain (loss) on sale of capital assets	<u>5,130</u>	<u>(453,383)</u>	<u>5,860,822</u>	<u>(62,712)</u>	<u>74,221</u>
Total general revenues and transfers	<u>32,153,758</u>	<u>24,077,325</u>	<u>27,260,265</u>	<u>21,101,661</u>	<u>15,791,514</u>
Change in net position	49,784,723	37,686,801	47,715,863	29,008,581	25,181,258
Net position—beginning	<u>443,180,839</u>	<u>405,494,038</u>	<u>357,778,175</u>	<u>328,769,594</u>	<u>303,588,336</u>
Prio period adjustment	<u>(1,802,270)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position—ending	<u>\$491,163,292</u>	<u>\$443,180,839</u>	<u>\$405,494,038</u>	<u>\$357,778,175</u>	<u>\$328,769,594</u>

(1) This report is presented in summary format concerning the single item of “Net (Expense) Revenue and Changes in Net Position” and is not intended to be complete. For a detailed itemized report see “APPENDIX B—ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY SPANISH FORK, UTAH FOR FISCAL YEAR 2023.”

(Source: Information taken from the City’s audited basic financial statements for the indicated years, compiled by the Municipal Advisor.)

Spanish Fork, Utah
Balance Sheet — General Fund

(This summary has not been audited.)

	Fiscal Year Ended June 30				
	2023	2022	2021	2020	2019
Assets					
Cash and cash equivalents	\$10,711,748	\$13,779,419	\$ 5,559,948	\$ 5,888,392	\$ 7,847,543
Receivables (net of allowance):					
Tax	8,277,856	8,214,369	13,776,508	6,005,352	4,498,860
Due from other funds	-	-	-	-	340,384
Prepaid expense	2,224	216,127	368,247	82,682	59,606
Inventory	108,016	78,033	61,291	79,451	77,932
Restricted assets:					
Cash and cash equivalents	<u>15,012,246</u>	<u>13,799,370</u>	<u>9,224,337</u>	<u>5,685,202</u>	<u>2,485,039</u>
Total assets	<u>\$34,112,090</u>	<u>\$36,087,318</u>	<u>\$28,990,331</u>	<u>\$17,741,079</u>	<u>\$15,309,364</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 762,836	\$ 1,184,030	\$ 1,094,511	\$ 521,489	\$ 969,238
Payroll payable	945,178	607,134	80,190	326,541	67,608
Developer escrow	11,325,769	11,665,556	7,587,485	4,341,871	4,726,738
Final inspection deposit	3,686,477	2,133,814	1,636,852	1,343,331	1,490,108
Deferred revenue	<u>47,963</u>	<u>26,920</u>	<u>33,611</u>	<u>993,255</u>	<u>970,080</u>
Total liabilities	<u>16,768,223</u>	<u>15,617,454</u>	<u>10,432,649</u>	<u>7,526,487</u>	<u>8,223,772</u>
Deferred inflows					
Deferred property tax revenue	5,062,294	4,795,770	3,598,067	3,421,961	2,507,131
Deferred grant revenue	-	<u>2,421,040</u>	-	-	-
Total deferred inflows of resources	<u>5,062,294</u>	<u>7,216,810</u>	<u>3,598,067</u>	<u>3,421,961</u>	<u>2,507,131</u>
Fund balances:					
Nonspendable	110,240	294,160	429,538	82,682	59,606
Restricted for:					
Impact fees	-	-	-	-	607,130
Unassigned	<u>12,171,133</u>	<u>12,958,894</u>	<u>14,530,077</u>	<u>6,709,952</u>	<u>3,911,725</u>
Total fund balances	<u>12,281,573</u>	<u>13,253,054</u>	<u>14,959,615</u>	<u>6,792,634</u>	<u>4,578,461</u>
Total liabilities and fund balances	<u>\$34,112,090</u>	<u>\$36,087,318</u>	<u>\$28,990,331</u>	<u>\$17,741,082</u>	<u>\$12,802,233</u>

(Source: Information taken from the City's audited basic financial statements for the indicated years, compiled by the Municipal Advisor.)

Spanish Fork, Utah
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

(This summary has not been audited.)

	Fiscal Year Ended June 30				
	2023	2022	2021	2020	2019
Revenues:					
Taxes	\$22,303,681	\$20,133,665	\$17,679,537	\$14,582,425	\$13,169,906
Licenses and permits	3,419,522	3,301,871	2,468,663	1,726,813	1,670,463
Intergovernmental revenues	5,382,107	324,441	1,109,053	2,322,548	332,067
Charges for services	5,283,740	4,580,539	4,299,322	3,676,373	3,459,154
Fines and forfeitures	156,199	86,138	105,505	117,608	156,563
Interest income	918,238	115,446	69,377	157,105	420,263
Sundry revenue	<u>2,940,509</u>	<u>3,127,799</u>	<u>2,650,382</u>	<u>4,813,195</u>	<u>3,415,849</u>
	<u>40,403,996</u>	<u>31,669,899</u>	<u>28,381,839</u>	<u>27,396,067</u>	<u>22,624,265</u>
Expenditures:					
Current:					
General government	9,567,312	8,527,080	6,759,979	6,442,599	5,793,403
Public safety	13,578,204	11,176,167	10,800,847	8,479,061	8,200,539
Public works	5,047,417	5,638,159	4,573,425	6,032,671	7,725,080
Parks, recreation and public property	<u>8,509,890</u>	<u>7,121,659</u>	<u>5,649,568</u>	<u>7,782,115</u>	<u>5,284,363</u>
Total expenditures	<u>36,702,823</u>	<u>32,463,065</u>	<u>27,783,819</u>	<u>28,736,446</u>	<u>27,003,385</u>
Excess revenues over (under) expenditures	<u>3,701,173</u>	<u>(793,166)</u>	<u>598,020</u>	<u>(1,340,379)</u>	<u>(4,379,120)</u>
Other financing sources (uses):					
Sale of fixed assets	(2,000)	21,809	7,979,718	-	74,221
Impact fees	802,861	3,161,171	2,499,988	1,412,960	1,793,370
Indirect services	5,827,007	5,448,343	4,497,411	4,176,738	3,849,617
Transfers in	1,975,000	1,975,000	1,964,742	1,637,354	1,531,895
Transfers out	<u>(13,275,522)</u>	<u>(11,519,718)</u>	<u>(9,372,898)</u>	<u>(3,672,500)</u>	<u>(4,523,275)</u>
Total other financing sources (uses)	<u>(4,672,654)</u>	<u>(913,395)</u>	<u>7,568,961</u>	<u>3,554,552</u>	<u>2,725,828</u>
Excess of revenues and other sources					
over (under) expenditures and other uses	(971,481)	(1,706,561)	8,166,981	2,214,173	(1,653,292)
Fund balance—beginning of year (restated)	<u>13,253,054</u>	<u>14,959,615</u>	<u>6,792,634</u>	<u>4,578,461</u>	<u>6,231,753</u>
Fund balance—end of year	<u>\$12,281,573</u>	<u>\$13,253,054</u>	<u>\$14,959,615</u>	<u>\$6,792,634</u>	<u>\$4,578,461</u>

(Source: Information taken from the City's audited basic financial statements for the indicated years, compiled by the Municipal Advisor.)

Sales And Use Taxes; Franchise Taxes

Sales and Use Taxes. Under State law sales taxes are imposed on the amount paid or charged for sales of tangible personal property in the State and for services rendered in the State for the repair, renovation or installation of tangible personal property. A use tax is imposed on the amount paid or charged for the use, storage or other consumption of tangible personal property in the State, including services for the repair, renovation or installation of such tangible personal property. Sales and use taxes also apply to leases and rentals of tangible personal property if the tangible personal property is in the State, the lessee takes possession in the State or the tangible personal property is stored, used or otherwise consumed in the State.

A sales and use tax due and unpaid constitutes a debt due from the vendor and may be collected, together with interest, penalty, and costs, by appropriate judicial proceeding within three years after the vendor is delinquent. Furthermore, if a sales and use tax is not paid when due and if the vendor has not followed the procedures to object to a notice of deficiency, the Utah State Tax Commission may issue a warrant directed to the sheriff of any county commanding the sheriff to levy upon and sell the real and personal property of a delinquent taxpayer found within such county for the payment of the tax due. The amount of the warrant shall have the force and effect of an execution against all personal property of the delinquent taxpayer and shall become a lien upon the real property of the delinquent taxpayer in the same manner as a judgment duly rendered by any district court.

Total City-Wide Sales and Use Taxes. As of the date of this OFFICIAL STATEMENT, within the City the general sales and use tax rate is 7.25% (consisting of a 4.85% State tax; a 1% city local tax; a 0.25% county option tax; a 0.25% mass transit tax; a 0.30% mass transit fixed guideway tax; a 0.25% county, airport highway public transit tax; a 0.25% transportation infrastructure tax; and a 0.10% botanical, cultural, zoo tax.)

Cities in a county may impose: (i) a 1% city option tax (imposed by the City); (ii) up to a 0.30% mass transit tax (0.25% imposed by the City); (iii) a 1% municipal transient room tax (imposed by the City); (iv) a 0.50% additional municipal transient room tax; (v) a 0.30% mass transit fixed guideway tax (imposed by the City); and (vi) a 0.10% botanical, cultural, zoo tax (imposed by the City). Towns in a county may impose a 0.20% town option tax. Certain cities or towns within a county who are considered “impacted communities” may impose up to a 1.6% resort community tax (imposed by the City); and a 0.50% correctional facility tax.

County-Wide Sales and Use Taxes. Counties may impose: (i) a 1% local sales tax (with counties collecting only local sales and use taxes from the unincorporated area within the county); (ii) a 0.25% county option tax; (ii) a 0.30% mass transit tax; (iii) a 0.25% additional mass transit tax; (iv) a 0.25% county option transportation tax; and (vii) a 0.25% transportation infrastructure tax.

In addition, within the County are other county-wide sales and use taxes on specific business's which may include: (i) a 4.57% transient room tax (consisting of a 4.25% transient room tax; and a 0.32% state transient room tax); (ii) a 9.5% tourism-short-term leasing tax ; (iii) a 1% tourism-restaurant tax; and (iv) a \$1.48 monthly per line county telecommunications (consisting of \$0.71 E911 emergency; \$0.25 unified state-wide 911; and \$0.52 radio network) tax.

State-Wide Sales and Use Tax. The State levies a state-wide sales and use tax, which is currently imposed at a rate of 4.85% (as indicated above) of the purchase price of taxable goods and services and a 3% on unprepared food and food ingredients tax (State rate of 1.75%; local option of 1% and county option of 0.25%). The State also imposes a 2.5% tax on tourism short-term leases and rentals of motor vehicles (as identified above); a 0.32% state transient room tax (as identified above); and for sales of residential energy, the State imposes a 2% tax (the State tax of 4.85% is reduced by 2.85%).

Utility Franchise Taxes and Fees; Telecommunications. Under State law, municipalities have the authority to impose a tax, license, fee, license fee, license tax, energy sales and use tax or similar charge at a rate not exceeding 6% of gross revenues of public utilities collected within the boundaries of the municipality (or, in the case of gas and electric service providers, not exceeding 6% of the “delivered value” of “taxable energy”). Utilities upon which these taxes and fees may be levied include telephone, natural gas, electric energy service companies and city public utilities. Utility franchise taxes and fees are collected by the utility and remitted monthly to the local government. Energy sales and use taxes are, in certain circumstances, remitted by the energy service provider to the State Tax Commission and then to the municipality. Currently, the City levies a 6.00% municipal energy tax.

The City also levies a 3.5% municipal telecommunications license tax.

LEGAL MATTERS

Absence Of Litigation Concerning The 2024A Bonds

On the date of the execution and delivery of the 2024A Bonds, certificates will be delivered by the City to the effect that to the knowledge of the City, there is no action, suit, proceeding or litigation pending or threatened against the City or the operation of the System, which in any way materially questions or affects the validity or enforceability of the 2024A Bonds or any proceedings or transactions relating to their authorization, execution, authentication, marketing, sale or delivery or which materially adversely affects the existence or powers of the City.

A non-litigation opinion issued by Vaughn Pickell, City Attorney, dated the date of closing, will be provided stating, among other things, that there is not now pending, or to his knowledge threatened, any action, suit, proceeding, inquiry, or any other litigation or investigation, at law or in equity, before or by any court, public board or body, challenging the creation, organization or existence of the City, or the ability of the City, or its respective officers to authenticate, execute or deliver the 2024A Bonds or such other documents as may be required in connection with the issuance and sale of the 2024A Bonds, or to comply with or perform their respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the 2024A Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the 2024A Bonds are issued, the legality of the purpose for which the 2024A Bonds are issued, or the validity of the 2024A Bonds or the issuance and sale thereof.

General

The authorization and issuance of the 2024A Bonds are subject to the approval of Gilmore & Bell P.C., Bond Counsel to the City. Certain legal matters will be passed upon for the City, by City Attorney, Vaughn Pickell. Certain matters regarding this OFFICIAL STATEMENT will be passed on for the City by Gilmore & Bell P.C. The approving opinion of Bond Counsel will be delivered with the 2024A Bonds. A copy of the opinion of Bond Counsel is set forth in “APPENDIX C—FORM OF OPINION OF BOND COUNSEL.”

The employment of Bond Counsel is limited to the review of the transcripts of legal proceedings authorizing the issuance of the 2024A Bonds and to the issuance of the legal opinion, in conventional form, relating solely to the validity of the 2024A Bonds pursuant to such authority and the excludability of interest on the 2024A Bonds for income tax purposes as described above. Except for said legal matters, which will be specifically covered in its opinion, Bond Counsel has assumed no responsibility for the accuracy or completeness of any information furnished to any person in connection with or any offer or sale of the 2024A Bonds in the OFFICIAL STATEMENT or otherwise.

The various legal opinions to be delivered concurrently with the delivery of the 2024A Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

The following is a summary of the material federal and State of Utah income tax consequences of holding and disposing of the 2024A Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the 2024A Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Utah, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the 2024A Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the 2024A Bonds.

Opinion Of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, under the law currently existing as of the issue date of the 2024A Bonds:

Federal Tax Exemption. The interest on the 2024A Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes.

Alternative Minimum Tax. Interest on the 2024A Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

State of Utah Tax Exemption. The interest on the 2024A Bonds is exempt from State of Utah individual income taxes.

Bond Counsel's opinions are provided as of the date of the original issue of the 2024A Bonds, subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the 2024A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2024A Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the 2024A Bonds.

No Other Opinion. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the 2024A Bonds, except as expressly provided herein. Purchasers of the 2024A Bonds should consult their tax advisors as to the applicability of these tax consequences and other income tax consequences of the purchase, ownership and disposition of the 2024A Bonds, including the possible application of state, local, foreign and other tax laws.

Other Tax Consequences

[Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a 2023 Bond over its issue price. The stated redemption price at maturity of a 2024A Bond is the sum of all payments on the 2024A Bond other than "qualified stated interest" (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a 2024A Bond is generally the first price at which a substantial amount of the 2024A Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a 2024A Bond during any accrual period generally equals (1) the issue price of that 2024A Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that 2024A Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that 2024A Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that 2024A Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.]

[Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a 2024A Bond over its stated redemption price at maturity. The stated redemption price at maturity of a 2024A Bond is the sum of all payments on the 2024A Bond other than "qualified stated interest" (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a 2024A Bond is generally the first price at which a substantial amount of the 2024A Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the 2024A Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the 2024A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the 2024A Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.]

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a 2024A Bond, an owner of the 2024A Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property actually or constructively received on the sale, exchange or retirement of the 2024A Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the 2024A Bond. To

the extent a 2024A Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the 2024A Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the 2024A Bonds, and to the proceeds paid on the sale of the 2024A Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the 2024A Bonds should be aware that ownership of the 2024A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation certain applicable corporations subject to the corporate alternative minimum tax, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2024A Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of 2024A Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the 2024A Bonds, including the possible application of state, local, foreign and other tax laws.

Bond Counsel notes that interest on the Bonds may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax."

MISCELLANEOUS

Bond Rating

As of the date of this OFFICIAL STATEMENT, the 2024A Bonds have been rated "AA-" by S&P Global Ratings ("S&P"). An explanation of the ratings may be obtained from S&P. The City has not directly applied to Fitch Ratings or Moody's Investors Service, Inc. for a rating on the 2024A Bonds .

Such rating does not constitute a recommendation by the rating agency to buy, sell or hold the 2024A Bonds . Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance that the rating given the outstanding 2024A Bonds will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2024A Bonds .

Trustee

The obligations and duties of the Trustee are described in the Indenture and the Trustee has undertaken only those obligations and duties that are expressly set out in the Indenture. The Trustee has not independently passed upon the validity of the 2024A Bonds, the security therefor, the adequacy of the provisions for payment thereof or the exclusion from gross income for federal tax purposes of the interest on the 2024A Bonds. The Trustee may resign or be removed or replaced as provided in the Indenture. See "APPENDIX B—THE GENERAL INDENTURE OF TRUST."

Municipal Advisor

The City has entered into an agreement with the Municipal Advisor whereunder the Municipal Advisor provides financial recommendations and guidance to the City with respect to preparation for sale of the 2024A Bonds, timing of sale, taxable and tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the 2024A Bonds. The Municipal Advisor has read and participated in the drafting of certain portions of this OFFICIAL STATEMENT and has supervised the completion and editing thereof. The Municipal Advisor has not audited, authenticated or otherwise verified the information set

forth in the OFFICIAL STATEMENT, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information, and the Municipal Advisor makes no guaranty or warranty respecting the accuracy and completeness of the OFFICIAL STATEMENT or any other matter related to the OFFICIAL STATEMENT.

Independent Auditors

The basic financial statements of the City as of June 30, 2023, included in this OFFICIAL STATEMENT, has been audited by Larson & Company, PC, Certified Public Accountants, Spanish Fork City, Utah (“Larson & Company”), as stated in their report in See “APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2023.”

Larson & Company has not participated in the preparation or review of this OFFICIAL STATEMENT. Based upon their non-participation, they have not consented to the use of their name in this OFFICIAL STATEMENT

Additional Information

All quotations contained herein from and summaries and explanations of, the State Constitution, statutes, programs, laws of the State, court decisions and the Indenture, do not purport to be complete, and reference is made to said State Constitution, statutes, programs, laws, court decisions and the Indenture for full and complete statements of their respective provisions.

Any statements in this OFFICIAL STATEMENT involving matters of opinion, whether or not expressly so stated, are intended as such and not as a representation of fact.

The appendices attached hereto are an integral part of this OFFICIAL STATEMENT and should be read in conjunction with the foregoing material.

This PRELIMINARY OFFICIAL STATEMENT is in a form deemed final for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission.

This OFFICIAL STATEMENT and its distribution and use have been duly authorized by the City.

Spanish Fork City, Utah

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APPENDIX A

BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2023

The basic financial statements of the City are contained herein. *The City's financial statements for Fiscal Year 2024 must be completed under State law by November 30, 2024.*

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**SPANISH FORK CITY, UTAH
BASIC FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2023**

**SPANISH FORK CITY, UTAH
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members
Spanish Fork City, Utah

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Spanish Fork City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Spanish Fork City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Local Building Authority Fund for the year ended June 30, 2023 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 Spanish Fork City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement 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.

Responsibility of Management for the Financial Statements

Spanish Fork City's 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 Spanish Fork City'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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement 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, we:

- Exercise professional judgement 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 Spanish Fork City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting principles 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 judgement, there are conditions or events, considered in the aggregate that raise substantial doubt about Spanish Fork City'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 and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 's basic financial statements. The combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor

fund financial statements, and the SEFA are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2023, on our consideration of Spanish Fork City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Spanish Fork City's internal control over financial reporting and compliance.

LARSON & COMPANY, PC

Larson & Company, PC

Spanish Fork, Utah

November 20, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Spanish Fork City, we offer readers of Spanish Fork City's financial statements this narrative overview and analysis of the financial activities of Spanish Fork City for the fiscal year ended **June 30, 2023**. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position of Spanish Fork City increased **\$47,982,453** to **\$491,163,292**. The governmental net position increased by **\$17,427,719** and the business-type net position increased by **\$30,554,734**, including a prior period adjustment of **\$1,802,270**.
- The total net position of **\$491,113,292** is made up of **\$366,605,036** in capital assets net of related debt and **\$124,558,256** in other net position.
- The General Fund (the primary operating fund) had a decrease in its fund balance of **\$971,481**.
- The City's total long-term debt decreased by **\$3,402,104** during the current fiscal year.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Spanish Fork City's basic financial statements. Spanish Fork City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

- *The statement of net position* presents information on all of Spanish Fork City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Spanish Fork City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net position changed during the fiscal year reported. 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 all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Spanish Fork City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on as indicated in the table of contents of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Spanish Fork City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements. The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund. The balance of the governmental funds are determined to be non-major and are included in the combining statements within this report.

- **Proprietary funds** - Spanish Fork City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Spanish Fork City uses enterprise funds to account for its Electric Utility, Water Utility (Culinary and Pressurized Irrigation), Sewer Utility, Solid Waste Collection Utility, Streets and Storm Drainage Utility, Broadband Utility, Airport, and Gun Club. Internal service funds are an accounting device used to accumulate and allocate costs internally among Spanish Fork City's various functions. The City uses an internal service fund for purchase and maintenance of its vehicles and equipment. Because this service primarily benefits governmental activities, it has been included with governmental activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Electric, Water, Sewer, Broadband, and Street

and Storm Drain enterprise funds meet the criteria for major fund classification. The other enterprise funds are classified as non-major and are included in the combining statements within this report.

- **Fiduciary funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Spanish Fork City, assets exceed liabilities by **\$491,163,292**.

The largest portion of Spanish Fork City's net position **\$366,605,036 or 75%** reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its 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.

The following table summarizes the City's net position.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 59,355,780	\$ 70,656,306	\$ 129,149,309	\$ 153,765,548	\$ 188,505,089	\$ 224,421,854
Capital assets	118,866,011	98,615,152	368,225,163	315,574,061	487,091,174	414,189,213
Total assets	178,221,791	169,271,458	497,374,472	469,339,609	675,596,263	638,611,067
Deferred outflows - pension	3,524,419	2,063,469	1,105,520	1,250,080	4,629,939	3,313,549
Total deferred outflows of resources	3,524,419	2,063,469	1,105,520	1,250,080	4,629,939	3,313,549
Total Assets and Deferred outflows	181,746,210	171,334,927	498,479,992	470,589,689	680,226,202	641,924,616
Other liabilities	22,411,731	18,115,288	30,914,773	28,405,125	53,326,504	46,520,413
Long-term liabilities outstanding	36,141,484	38,847,726	94,257,266	95,461,319	130,398,750	134,309,045
Total liabilities	58,553,215	56,963,014	125,172,039	123,866,444	183,725,254	180,829,458
Deferred property tax revenue	5,062,294	4,795,770	-	-	5,062,294	4,795,770
Deferred grant revenue	-	2,421,040	-	-	-	2,421,040
Deferred inflows - pension	209,612	6,661,733	65,750	4,035,776	275,362	10,697,509
Total deferred inflows of resources	5,271,906	13,878,543	65,750	4,035,776	5,337,656	17,914,319
Total Liabilities and Deferred inflows	63,825,121	70,841,557	125,237,789	127,902,220	189,062,910	198,743,777
Net Position:						
Invested in capital assets, net of related debt	82,667,808	59,696,801	283,937,228	230,669,126	366,605,036	290,365,927
Restricted	15,306,055	26,608,551	239,065	239,065	15,545,120	26,847,616
Unrestricted	19,947,226	14,188,018	89,065,910	111,779,278	109,013,136	125,967,296
Total Net Position	\$ 117,921,089	\$ 100,493,370	\$ 373,242,203	\$ 342,687,469	\$ 491,163,292	\$ 443,180,839

The following table summarizes the City's changes in Net position.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 19,568,862	\$ 17,744,690	\$ 69,327,086	\$ 64,049,415	\$ 88,895,948	\$ 81,794,105
Operating grants and contribs	5,382,107	324,441	-	-	5,382,107	324,441
Capital grants and contribs	3,177,439	3,161,171	35,841,071	33,488,161	39,018,510	36,649,332
General revenues:						
Property taxes	5,344,754	4,259,495	-	-	5,344,754	4,259,495
Sales and Use Tax	17,765,035	16,747,962	-	-	17,765,035	16,747,962
Other taxes	391,012	392,187	-	-	391,012	392,187
Unrestricted investment earnings	1,748,169	210,272	4,044,430	1,041,951	5,792,599	1,252,223
Sundry revenues	2,530,376	1,321,740	-	-	2,530,376	1,321,740
Joint Venture Gain (Loss)	-	-	335,112	557,101	335,112	557,101
Gain on Sale of Capital Assets	(5,130)	(467,369)	-	13,986	(5,130)	(453,383)
Total revenues	55,902,624	43,694,589	109,547,699	99,150,614	165,450,323	142,845,203
Expenses:						
General government	3,139,097	407,098	-	-	3,139,097	407,098
Public safety	13,505,007	11,409,007	-	-	13,505,007	11,409,007
Public Works	4,806,119	6,213,750	-	-	4,806,119	6,213,750
Parks and recreation	16,322,344	17,897,539	-	-	16,322,344	17,897,539
Operating Expenses (Business Type)	-	-	76,899,942	68,372,944	76,899,942	68,372,944
Interest Expense	993,091	858,064	-	-	993,091	858,064
Total expenses	38,765,658	36,785,458	76,899,942	68,372,944	115,665,600	105,158,402
Increase in Net Position before transfers	17,136,966	6,909,131	32,647,757	30,777,670	49,784,723	37,686,801
Interfund transfer of capital assets	-	-	-	-	-	-
Transfers	290,753	2,734,252	(290,753)	(2,734,252)	-	-
Increase in Net Position	17,427,719	9,643,383	32,357,004	28,043,418	49,784,723	37,686,801
Net Position - beginning	100,493,370	90,849,987	342,687,469	314,644,051	443,180,839	405,494,038
Net Position - ending	\$ 117,921,089	\$ 100,493,370	\$ 373,242,203	\$ 342,687,469	\$ 491,163,292	\$ 443,180,839

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2023, the City's governmental funds (General, Debt Service, Special Revenue, and Capital Project Fund) reported combined fund equity of **\$43,407,960**. This represents a decrease of **\$6,081,822** over last year's ending balances. This decrease is the result of planned budget expenditures in the Capital Projects Funds. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund. Capital project funds are used to account for the acquisition of capital assets with transfers made from the General Fund and other funds.

Taxes continue to be the largest source of revenue in the Governmental Funds **\$23,500,802** and represent **50%** of total governmental funds operating revenues. The largest element of taxes is **sales and use taxes** as it has been for the last several years.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of **\$35,980,478** to a final budget of **\$37,484,273**. The significant change to expenditures from the original budget to the final budget was due to budget changes in the capital projects in the parks division.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Spanish Fork City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to **\$366,605,036** (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, etc.), and machinery and equipment. Capital assets include contributed infrastructure from developers.

Major capital asset events during the current fiscal year included the following:

Parks Improvements:

Maintenance and infrastructure improvements of existing parks and trails for \$803,641.

Construction of Electric Park for \$1,244,560.

Land Purchase of \$1,065,954.

Fairground Improvements

South Parking Lot for \$710,666.

Land Purchase for \$1,605,217.

Recreation Improvements

Recreation Center Land & Design for \$1,130,702.

Fire Improvements

Station 61 Temporary Dorms for \$360,447.

Water & Pressurized Irrigation Improvements:

Water & Pressurized Irrigation Improvement Projects for \$11,493,221.

Sewer Improvements:

Sewer Trunklines for \$624,393.

Sewer Plant Rebuild for \$25,374,343.

Sewer Lift Stations for \$915,720.

Sewer Improvements for \$3,268,962.

Streets/Storm Drain Improvements:

Streets/Storm Drain Improvements for \$18,527,301.

Electric Improvements:

Substation Improvements for \$2,617,192.

Electric Improvements for \$3,418,215.

Airport Improvements

Taxiway A Rehab for \$661,294.

Airport Improvements for \$76,682.

Other Improvements:

Land Purchases for \$1,473,153.

New Library Construction for \$8,551,525.

Facilities Shop for \$339,191.95.

SFCN Building Construction for \$4,493,475.57.

Golf Course Improvements for \$168,883.

Spanish Fork Community Network:

New Node Construction \$863,009.

Improvements for Fiber to the Home for \$207,325.

Motor pool:

City Wide Equipment and Vehicle Purchases for \$3,879,460.

The following table summarizes the City's changes in Capital Assets.

	Spanish Fork City's Capital Assets			
	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Land	\$ 20,922,610	\$ 16,203,797	\$ 13,358,071	\$ 15,160,342
Water Shares	-	-	7,483,062	6,943,282
Buildings	47,361,273	34,565,208	3,524,635	3,672,708
Improvements	19,579,800	19,347,785	342,011,535	288,422,850
Equipment	12,030,955	10,345,307	1,847,860	1,374,879
Infrastructure	18,971,373	18,153,055	-	-
Total Net Assets -				
Net of Depreciation	<u>\$ 118,866,011</u>	<u>\$ 98,615,152</u>	<u>\$ 368,225,163</u>	<u>\$ 315,574,061</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt - At June 30, 2023, the City had total bonded debt outstanding of **\$120,540,000**. Of that, **\$114,460,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Sewer and Water Utilities). **\$6,080,000** is debt secured solely by tax sources (i.e. Sales Tax revenue and Property Tax increment for the RDA).

The following table summarizes the City's changes in Long-term debt.

	Spanish Fork City's Outstanding Debt			
	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Direct Borrowings	\$ 128,484	\$ 192,726	\$ -	\$ -
Accrued Vacation & Sick Leave	2,534,893	2,318,010	1,221,728	1,157,474
Revenue Bonds	36,013,000	38,655,000	84,527,000	85,144,000
Total Outstanding Debt	<u>\$38,676,377</u>	<u>\$41,165,736</u>	<u>\$85,748,728</u>	<u>\$86,301,474</u>

State statutes limit the amount of general obligation debt (G.O.) a governmental entity may issue to 4% of its total taxable value of **\$4,665,708,342**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$186,628,334** which significantly exceeds the City's outstanding general obligation debt. In addition, state statute allows for an additional 4% to be used for water, sewer, or electrical projects thus

resulting in a debt limit of 8% of total taxable value. The current limitation for these water, sewer and electrical projects is thus **\$186,628,334** which again, significantly exceeds the outstanding business-type activity debt.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate at year end for Utah County (of which Spanish Fork is one of the principal municipalities) was 2.7% compared with a state unemployment rate of 2.6% and a national rate of 3.8%. (Source: Utah Dept of Workforce Services)
- Some capital improvements budgeted for the FY 2024 include:
 1. Airport operations and capital improvements
 2. River reclamation projects
 3. Water line replacement.
 4. Sewer line replacement
 5. Electric system improvements
 6. Storm drainage system expansion
 7. Pressurized irrigation system expansion
 8. Sidewalk replacement and repair of various areas of town
 9. Purchase of city vehicles
 10. Additional city parks
 11. Construction of new sewer plant
 12. Construction of new broadband building
 13. Design and initial construction of new recreation center

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Spanish Fork City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to: Finance Director, Spanish Fork City, 80 South Main St, Spanish Fork, UT 84660.

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BASIC FINANCIAL STATEMENTS

Spanish Fork City
Statement of Net Position
As of June 30, 2023

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 31,744,388	\$ 49,622,853	\$ 81,367,241
Receivables (net of allowance)	8,277,858	6,186,811	14,464,669
Prepaid expenses	2,224	130	2,354
Internal balances	(11,211,002)	11,211,002	-
Inventory	108,016	4,203,235	4,311,251
Equity in joint venture	-	2,694,079	2,694,079
Restricted cash and cash equivalents	30,329,805	38,064,339	68,394,144
Note receivable from Mapleton City	-	17,134,083	17,134,083
Net Pension Asset	104,491	32,777	137,268
Capital Assets (not being depreciated):			
Land	20,922,610	13,358,071	34,280,681
Water shares	-	7,483,062	7,483,062
Capital Assets (net of accumulated depreciation):			
Buildings	47,361,273	3,524,635	50,885,908
Improvements other than buildings	19,579,800	342,011,535	361,591,335
Equipment	12,030,955	1,847,860	13,878,815
Infrastructure	18,971,373	-	18,971,373
Total assets	178,221,791	497,374,472	675,596,263
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources relating to pensions	3,524,419	1,105,520	4,629,939
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	181,746,210	498,479,992	680,226,202
LIABILITIES			
Accounts payable	2,112,189	9,020,474	11,132,663
Developer escrows and deposits	15,012,246	4,476,665	19,488,911
Deferred revenue	47,963	-	47,963
Connectors agreement	-	1,019,476	1,019,476
Compensated absences	2,534,893	1,221,728	3,756,621
Bond interest payable	56,719	860,725	917,444
Noncurrent Liabilities:			
Cash held on behalf of Mapleton City	-	12,640,685	12,640,685
Net pension liability	2,647,721	830,520	3,478,241
	-	844,500	844,500
Due within one year	2,723,242	3,439,000	6,162,242
Due in more than one year	33,418,242	90,818,266	124,236,508
Total liabilities	58,553,215	125,172,039	183,725,254
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	5,062,294	-	5,062,294
	-	-	-
Relating to pensions	209,612	65,750	275,362
Total deferred inflows of resources	5,271,906	65,750	5,337,656
NET POSITION			
Net investments in capital assets	82,667,808	283,937,228	366,605,036
Restricted for:			
	9,183,305	-	9,183,305
RAP programs	2,217,122	-	2,217,122
Redevelopment agency	3,409,916	-	3,409,916
Debt service	495,712	-	495,712
Bond requirements	-	239,065	239,065
Unrestricted	19,947,226	89,065,910	109,013,136
Total net position	\$ 117,921,089	\$ 373,242,203	\$ 491,163,292

Spanish Fork City
Statement of Activities
For the Year Ended June 30, 2023

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 3,139,097	\$ 14,446,314	\$ 20,021	\$ -	\$ 11,327,238	\$ 11,327,238
Public safety	13,505,007	2,611,329	5,316,690	-	(5,576,988)	(5,576,988)
Public works	4,806,119	-	-	-	(4,806,119)	(4,806,119)
Parks, rec. & public property	16,322,344	2,511,219	45,396	3,177,439	(10,588,290)	(10,588,290)
Interest on long-term debt	993,091	-	-	-	(993,091)	(993,091)
Total governmental activities	38,765,658	19,568,862	5,382,107	3,177,439	(10,637,250)	(10,637,250)
Business-type activities:						
Water	9,800,788	6,622,145	-	8,892,092	-	5,713,449
Sewer	8,764,478	7,591,441	-	8,909,699	-	7,736,662
Electric	29,668,438	33,429,087	-	3,387,527	-	7,148,176
Streets & Storm Drain	15,756,953	7,432,011	-	14,436,054	-	6,111,112
Broadband	8,498,010	10,425,996	-	-	-	1,927,986
Garbage	3,297,190	3,158,204	-	-	-	(138,986)
Airport	800,307	405,749	-	215,699	-	(178,859)
Gun club	313,778	262,453	-	-	-	(51,325)
Total business-type activities	76,899,942	69,327,086	-	35,841,071	-	28,268,215
Total primary government	\$ 115,665,600	\$ 88,895,948	\$ 5,382,107	\$ 39,018,510	(10,637,250)	17,630,965
General revenues:						
Property taxes					5,344,754	5,344,754
Sales taxes					17,765,035	17,765,035
Other taxes					391,012	391,012
Unrestricted investment earnings					1,748,169	5,792,599
Sundry revenues					2,530,376	2,530,376
Joint venture gain (loss)					-	335,112
Gain (loss) on sale of capital assets					(5,130)	(5,130)
Transfers					290,753	-
Total general revenues and transfers					28,064,969	32,153,758
Change in Net Position					17,427,719	49,784,723
Net Position - beginning					100,493,370	443,180,839
Prior Period Adjustment					-	(1,802,270)
Net Position - ending	\$	117,921,089	\$	373,242,203	\$	491,163,292

**Spanish Fork City
Balance Sheet
Governmental Funds
As of June 30, 2023**

	General Fund	Local Building Authority Fund	Parks Construction Fund	Land Acquisition Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 10,711,748	\$ -	\$ 3,087,264	\$ 8,341,103	\$ 4,614,415	\$ 26,754,530
Receivables (net of allowance):						-
Tax	8,277,856	-	-	-	-	8,277,856
Prepaid expense	2,224	-	-	-	-	2,224
Inventory	108,016	-	-	-	-	108,016
Restricted Assets:						-
Cash and cash equivalents	15,012,246	\$ 9,193,309	-	-	6,124,250	30,329,805
Total assets	<u>\$ 34,112,090</u>	<u>\$ 9,193,309</u>	<u>\$ 3,087,264</u>	<u>\$ 8,341,103</u>	<u>\$ 10,738,665</u>	<u>\$ 65,472,431</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 762,836	\$ 10,004	\$ 219,116	\$ 3,334	\$ 1,500	\$ 996,790
Payroll payable	945,178	-	-	-	-	945,178
Developer escrow	11,325,769	-	-	-	-	11,325,769
Final inspection deposit	3,686,477	-	-	-	-	3,686,477
Deferred revenue	47,963	-	-	-	-	47,963
Total liabilities	<u>16,768,223</u>	<u>10,004</u>	<u>219,116</u>	<u>3,334</u>	<u>1,500</u>	<u>17,002,177</u>
DEFERRED INFLOWS						
Deferred property tax revenue	5,062,294	-	-	-	-	5,062,294
Deferred grant revenue (jordan added)	-	-	-	-	-	-
Total deferred inflows of resources	<u>5,062,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,062,294</u>
FUND BALANCES						
Nonspendable	110,240	-	-	-	-	110,240
Restricted for:						
Capital projects	-	9,183,305	-	-	-	9,183,305
RAP programs	-	-	-	-	2,217,122	2,217,122
Redevelopment agency	-	-	-	-	3,409,916	3,409,916
Debt service	-	-	-	-	495,712	495,712
Committed for:						
Capital projects	-	-	2,868,148	8,337,769	4,614,415	15,820,332
Unassigned	12,171,333	-	-	-	-	12,171,333
Total fund balances	<u>12,281,573</u>	<u>9,183,305</u>	<u>2,868,148</u>	<u>8,337,769</u>	<u>10,737,165</u>	<u>43,407,960</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 34,112,090</u>	<u>\$ 9,193,309</u>	<u>\$ 3,087,264</u>	<u>\$ 8,341,103</u>	<u>\$ 10,738,665</u>	<u>\$ 65,472,431</u>

Spanish Fork City
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

Total fund balances - governmental fund types: \$ 43,407,960

Amounts reported for governmental activities in the statement of net position are different because:

Long term and Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Cost of capital assets	167,865,685	
Accumulated depreciation	(48,999,674)	
Net Pension Asset	103,032	
Deferred Outflow - Pension	<u>3,475,775</u>	
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities		<u>122,444,818</u>

Internal Service funds are used by management to charge the cost of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position, but not in the Balance Sheet - Governmental Funds

(2,428,529)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Accrued interest payable	(56,717)	
Long-term debt	(36,141,484)	
Compensated absences	(2,481,137)	
Interfund Loan	(4,005,942)	
Deferred Inflow - Pension	<u>(206,719)</u>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities		<u>(45,503,160)</u>

Net position of government activities \$ 117,921,089

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Local Building Authority Fund	Parks Construction Fund	Land Acquisition Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 22,303,681	\$ -	\$ -	\$ -	\$ 1,197,121	\$ 23,500,802
Lease Revenue	-	1,941,885	-	-	-	1,941,885
Licenses and permits	3,419,522	-	-	-	-	3,419,522
Sundry revenue	2,940,509	-	-	1,479,489	1,050,887	5,470,885
Intergovernmental revenues	5,382,107	-	50,000	-	50,000	5,482,107
Charges for services	5,283,740	-	-	-	-	5,283,740
Fines and forfeitures	156,199	-	-	-	-	156,199
Interest income	918,238	609,062	-	-	220,869	1,748,169
Total revenues	<u>40,403,996</u>	<u>2,550,947</u>	<u>50,000</u>	<u>1,479,489</u>	<u>2,518,877</u>	<u>47,003,309</u>
EXPENDITURES						
Current:						
General government	9,567,312	-	-	113,641	914,541	10,595,494
Public safety	13,578,204	-	-	-	-	13,578,204
Public works	5,047,417	-	-	-	1,105	5,048,522
Parks, recreation and public property	8,509,890	-	-	-	-	8,509,890
Debt Service:						
Principal retirement	-	1,307,000	-	-	1,514,231	2,821,231
Interest and fiscal charges	-	631,943	-	-	375,054	1,006,997
Capital outlay	-	13,045,001	2,919,817	3,453,588	1,299,586	20,717,992
Total expenditures	<u>36,702,823</u>	<u>14,983,944</u>	<u>2,919,817</u>	<u>3,567,229</u>	<u>4,104,517</u>	<u>62,278,330</u>
Excess revenues over (under) expenditures	<u>3,701,173</u>	<u>(12,432,997)</u>	<u>(2,869,817)</u>	<u>(2,087,740)</u>	<u>(1,585,640)</u>	<u>(15,275,021)</u>
Other financing sources (uses)						
Sale of fixed assets	(2,000)	-	-	-	-	(2,000)
Impact fees	802,861	-	2,274,578	-	-	3,077,439
Indirect services	5,827,007	-	-	-	-	5,827,007
Transfers in	1,975,000	60,000	-	4,390,302	8,140,973	14,566,275
Transfers out	(13,275,522)	-	-	-	(1,000,000)	(14,275,522)
Total other financing sources and uses	<u>(4,672,654)</u>	<u>60,000</u>	<u>2,274,578</u>	<u>4,390,302</u>	<u>7,140,973</u>	<u>9,193,199</u>
Excess of revenues and other sources over (under) expenditures and other uses	(971,481)	(12,372,997)	(595,239)	2,302,562	5,555,333	(6,081,822)
Fund balances - beginning of year	13,253,054	21,556,302	3,463,387	6,035,207	5,181,832	49,489,782
Fund balances - end of year	<u>\$ 12,281,573</u>	<u>\$ 9,183,305</u>	<u>\$ 2,868,148</u>	<u>\$ 8,337,769</u>	<u>\$ 10,737,165</u>	<u>\$ 43,407,960</u>

Spanish Fork City
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Net changes in fund balances - total governmental funds	\$ (6,081,822)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	21,989,309
Depreciation Expense	<u>(3,219,634)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in Net Position of governmental activities	<u>18,769,675</u>

Internal service funds are used by management to charge the cost of motor pool to individual funds. The net revenue of certain activities of internal service funds are reported with the governmental activities.	960,186
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect of Net Position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,796,525
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Some revenues expenses reported in the statement of activities do not add to or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.

Change in compensated Absences	(214,031)
Change in Pension Expenses	<u>1,200,316</u>

Change in Net Position of governmental activities	<u><u>\$ 17,427,719</u></u>
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Spanish Fork City
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 21,950,770	\$ 22,374,178	\$ 22,303,681	\$ (70,497)
Licenses and permits	2,956,176	2,971,176	3,419,522	448,346
Intergovernmental revenues	5,052,985	5,381,272	5,382,107	835
Charges for services	4,364,325	5,151,220	5,283,740	132,520
Fines and forfeitures	87,800	130,700	156,199	25,499
Interest income	70,600	900,600	918,238	17,638
Sundry revenue	3,085,807	3,084,643	2,940,509	(144,134)
Total revenues	<u>37,568,463</u>	<u>39,993,789</u>	<u>40,403,996</u>	<u>410,207</u>
EXPENDITURES				
Current:				
General government	9,098,337	9,588,760	9,567,312	(21,448)
Public safety	13,836,958	13,852,743	13,578,204	(274,539)
Public works	5,387,213	5,335,721	5,047,417	(288,304)
Parks, recreation and public property	7,657,970	8,707,049	8,509,890	(197,159)
Total expenditures	<u>35,980,478</u>	<u>37,484,273</u>	<u>36,702,823</u>	<u>(781,450)</u>
Excess revenues over (under) expenditures	<u>1,587,985</u>	<u>2,509,516</u>	<u>3,701,173</u>	<u>1,191,657</u>
Other financing sources (uses)				
Impact fees	850,000	850,000	802,861	(47,139)
Indirect services	5,775,888	5,827,006	5,827,007	1
Transfers in	1,975,000	-	1,975,000	1,975,000
Transfers out	(10,938,362)	(13,275,522)	(13,275,522)	-
Total other financing sources and uses	<u>(2,327,474)</u>	<u>(6,598,516)</u>	<u>(4,672,654)</u>	<u>1,925,862</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ (739,489)</u>	<u>\$ (4,089,000)</u>	(971,481)	<u>\$ 3,117,519</u>
Fund balances - beginning of year			13,253,054	
Fund balances - end of year			<u>\$ 12,281,573</u>	

Spanish Fork City
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Local Building Authority Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Interfund charges for services	\$ 1,941,885	\$ 1,941,885	\$ 1,941,885	\$ -
Interest income	10,000	620,000	609,060	(10,940)
Total revenues	<u>1,951,885</u>	<u>2,561,885</u>	<u>2,550,945</u>	<u>(10,940)</u>
EXPENDITURES				
Current:				
Construction of Buildings	17,828,434	18,104,071	13,045,000	(5,059,071)
Debt Service:				
Principal retirement	1,105,000	1,307,000	1,307,000	-
Interest and fiscal charges	695,000	640,000	631,943	(8,057)
Total expenditures	<u>19,628,434</u>	<u>20,051,071</u>	<u>14,983,943</u>	<u>(5,067,128)</u>
Excess revenues over (under) expenditures	<u>(17,676,549)</u>	<u>(17,489,186)</u>	<u>(12,432,997)</u>	<u>5,056,189</u>
Other financing sources (uses)				
Transfers in	-	60,000	60,000	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ (17,676,549)</u>	<u>\$ (17,429,186)</u>	<u>(12,372,997)</u>	<u>\$ 5,056,189</u>
Fund balances - beginning of year			21,556,302	
Fund balances - end of year			<u><u>\$ 9,183,305</u></u>	

Spanish Fork City
Statement of Net Position – Proprietary Funds
As of June 30, 2023

	Business-Type Activities - Enterprise Funds							Governmental Activities - Internal Service Fund
	Water	Sewer	Electric	Broadband	Streets & Storm Drain	Non Major Enterprise Funds	Total	
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 5,866,146	\$ 21,692,905	\$ 12,743,638	\$ 6,226,453	\$ 1,254,263	\$ 1,839,448	\$ 49,622,853	\$ 4,989,858
Accounts receivable	693,936	867,847	2,816,565	987,001	575,343	290,927	6,231,619	-
Interfund Loan	1,761,019	-	3,202,588	-	-	-	4,963,607	-
Allowance for doubtful accounts	(9,408)	(2,825)	(24,741)	(5,616)	(488)	(1,730)	(44,808)	-
Prepaid Expense	-	-	-	130	-	-	130	-
Inventory	4,500	3,500	4,174,209	-	-	21,026	4,203,235	-
Total current assets	<u>8,316,193</u>	<u>22,561,427</u>	<u>22,912,259</u>	<u>7,207,968</u>	<u>1,829,118</u>	<u>2,149,671</u>	<u>64,976,636</u>	<u>4,989,858</u>
Noncurrent assets:								
Restricted cash and equivalents	297,505	33,406,436	4,360,398	-	-	-	38,064,339	-
Net Pension Asset	4,503	3,517	9,818	8,796	5,381	762	32,777	1,459
Capital Assets:								
Land	870,483	1,619,213	975,096	-	7,038,503	2,854,776	13,358,071	-
Water rights	7,483,062	-	-	-	-	-	7,483,062	-
Buildings	2,516,937	560,026	1,913,630	2,119,003	387,267	191,679	7,688,542	1,374,524
Improvements	118,753,634	105,141,136	71,723,422	15,362,188	196,337,175	15,709,382	523,026,937	-
Equipment	3,037,802	2,353,875	209,289	5,713,889	307,284	1,483,440	13,105,579	23,914,357
Less: accumulated depreciation	(51,366,116)	(29,078,652)	(23,481,205)	(11,015,536)	(73,943,509)	(7,552,010)	(196,437,028)	(12,757,436)
Other Assets:								
Note receivable from Mapleton City	-	17,134,083	-	-	-	-	17,134,083	-
Equity in joint venture	-	-	-	-	-	2,694,079	2,694,079	-
Total noncurrent assets	<u>81,597,810</u>	<u>131,139,634</u>	<u>55,710,448</u>	<u>12,188,340</u>	<u>130,132,101</u>	<u>15,382,108</u>	<u>426,150,441</u>	<u>12,532,904</u>
Total assets	<u>89,914,003</u>	<u>153,701,061</u>	<u>78,622,707</u>	<u>19,396,308</u>	<u>131,961,219</u>	<u>17,531,779</u>	<u>491,127,077</u>	<u>17,522,762</u>
Deferred Outflows of Resources Due to Pensions	150,103	117,222	327,212	293,202	179,333	38,448	1,105,520	48,644
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 90,064,106</u>	<u>\$ 153,818,283</u>	<u>\$ 78,949,919</u>	<u>\$ 19,689,510</u>	<u>\$ 132,140,552</u>	<u>\$ 17,570,227</u>	<u>\$ 492,232,597</u>	<u>\$ 17,571,406</u>
LIABILITIES								
Current liabilities:								
Interfund loan	\$ -	\$ -	\$ -	\$ 957,665	\$ -	\$ -	\$ 957,665	\$ -
Accounts payable	102,712	3,893,458	1,774,500	293,202	2,417,494	539,108	9,020,474	170,221
Accrued interest payable	50,575	810,150	-	-	-	-	860,725	-
Compensated absences payable	165,882	129,545	361,607	324,023	198,183	42,488	1,221,728	53,756
Customer deposits	58,440	-	361,683	-	57,827	-	477,950	-
Final inspection deposits	-	-	3,998,715	-	-	-	3,998,715	-
Connector agreements	-	6,736	-	-	1,012,740	-	1,019,476	-
Lease payable - current portion	-	-	-	-	-	-	-	64,242
Bonds payable - current portion	644,000	2,795,000	-	-	-	-	3,439,000	-
Total current liabilities	<u>1,021,609</u>	<u>7,634,889</u>	<u>6,496,505</u>	<u>1,574,890</u>	<u>3,686,244</u>	<u>581,596</u>	<u>20,995,733</u>	<u>288,219</u>
Noncurrent liabilities:								
Cash held on behalf of Mapleton City	-	12,640,685	-	-	-	-	12,640,685	-
Net pension liability	112,818	88,105	245,934	220,371	134,788	28,504	830,520	36,560
Construction retainage payable	-	844,500	-	-	-	-	844,500	-
Lease payable	-	-	-	-	-	-	-	64,242
Bonds payable	10,538,000	70,550,000	-	-	-	-	81,088,000	-
Bond premiums	1,165,018	8,565,248	-	-	-	-	9,730,266	-
Total noncurrent liabilities	<u>11,815,836</u>	<u>92,688,538</u>	<u>245,934</u>	<u>220,371</u>	<u>134,788</u>	<u>28,504</u>	<u>105,133,971</u>	<u>100,802</u>
Total liabilities	<u>12,837,445</u>	<u>100,323,427</u>	<u>6,742,439</u>	<u>1,795,261</u>	<u>3,821,032</u>	<u>610,100</u>	<u>126,129,704</u>	<u>389,021</u>
Deferred Inflows of Resources Due to Pensions	8,928	6,971	19,461	17,438	10,666	2,286	65,750	2,893
Net Position								
Net investment in capital assets, net of related debt	70,352,867	7,250,598	51,340,232	12,179,544	130,126,720	12,687,267	283,937,228	12,402,961
Restricted for:								
Bond requirements	239,065	-	-	-	-	-	239,065	-
Unrestricted	6,625,801	46,237,287	20,847,787	5,697,267	(1,817,866)	4,270,574	81,860,850	4,776,531
Total Net Position	<u>77,217,733</u>	<u>\$ 53,487,885</u>	<u>\$ 72,188,019</u>	<u>\$ 17,876,811</u>	<u>\$ 128,308,854</u>	<u>\$ 16,957,841</u>	<u>366,037,143</u>	<u>\$ 17,179,492</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:							7,205,060	
Net Position from business-type activities:							<u>\$ 373,242,203</u>	

Spanish Fork City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Water	Sewer	Electric	Broadband	Streets & Storm Drain	Non Major Enterprise Funds	Total Enterprise Funds
Operating Revenues:							
Charges for sales and services	\$ 6,609,924	\$ 7,349,916	\$ 33,429,087	\$ 10,425,996	\$ 3,009,583	\$ 3,701,102	\$ 64,525,608
Other income	12,221	241,525	-	-	4,422,428	125,304	4,801,478
Total operating revenues	<u>6,622,145</u>	<u>7,591,441</u>	<u>33,429,087</u>	<u>10,425,996</u>	<u>7,432,011</u>	<u>3,826,406</u>	<u>69,327,086</u>
Operating Expenses:							
Water assessment	185,801	-	-	-	-	-	185,801
Power purchases	-	-	19,304,667	-	-	-	19,304,667
Landfill fees	-	-	-	-	-	2,330,116	2,330,116
Employee salaries	1,484,003	1,188,820	3,101,793	2,963,383	1,847,399	517,225	11,102,623
Materials and supplies	484,149	333,274	1,616,776	394,944	1,611,100	360,152	4,800,395
Repairs and maintenance	141,117	220,024	13,770	81,329	24,223	30,026	510,489
Professional services	1,669,258	866,609	1,952,352	2,883,719	5,584,290	407,861	13,364,089
Motorpool charges	383,577	330,259	452,848	227,697	999,666	49,748	2,443,795
Utilities and Rent	321,396	465,426	245,137	986,167	37,228	51,112	2,106,466
Insurance	30,772	22,699	59,290	29,504	28,000	14,274	184,539
Depreciation	3,054,460	2,355,687	1,815,090	828,108	5,185,649	355,320	13,594,314
Indirect services	1,899,515	1,204,195	1,323,619	306,692	857,185	235,801	5,827,007
Sundry charges	14,673	3,502	56,334	9,938	1,702	91,191	177,340
Training	22,979	11,563	35,383	5,950	-	-	75,875
Total operating expenses	<u>9,691,700</u>	<u>7,002,058</u>	<u>29,977,059</u>	<u>8,717,431</u>	<u>16,176,442</u>	<u>4,442,826</u>	<u>76,007,516</u>
Operating income	<u>(3,069,555)</u>	<u>589,383</u>	<u>3,452,028</u>	<u>1,708,565</u>	<u>(8,744,431)</u>	<u>(616,420)</u>	<u>1,586,424</u>
Nonoperating revenues (expenses):							
Interest revenue	362,852	2,757,981	628,473	141,661	92,257	61,206	4,044,430
Impact fees and water right fees	4,183,628	2,102,366	2,009,348	-	3,608,305	-	11,903,647
Contributions from private contractors	3,708,464	2,807,283	1,378,179	-	10,827,749	-	18,721,675
Grant proceeds	1,000,000	4,000,050	-	-	-	215,699	5,215,749
Gain(loss) on sale of fixed assets	-	-	-	-	-	-	65,642
Pension benefit expense	134,947	101,939	289,496	261,808	157,034	30,005	975,229
Pension expense	(62,363)	(48,701)	(135,944)	(121,817)	(74,505)	(15,972)	(459,302)
Interest expense	(314,761)	(1,931,112)	-	-	-	-	(2,245,873)
Total nonoperating revenues (expenses)	<u>9,012,767</u>	<u>9,789,806</u>	<u>4,169,552</u>	<u>281,652</u>	<u>14,610,840</u>	<u>626,050</u>	<u>38,490,667</u>
Income (loss) before operating transfers	<u>5,943,212</u>	<u>10,379,189</u>	<u>7,621,580</u>	<u>1,990,217</u>	<u>5,866,409</u>	<u>9,630</u>	<u>31,810,237</u>
Operating Transfers from (to) Other Funds							
Operating transfers in	-	-	-	1,000,000	1,258,750	-	2,258,750
Operating transfers out	(350,000)	(150,000)	(1,904,503)	(200,000)	(25,000)	80,000	(2,549,503)
Total contributions and operating transfers	<u>(350,000)</u>	<u>(150,000)</u>	<u>(1,904,503)</u>	<u>800,000</u>	<u>1,233,750</u>	<u>80,000</u>	<u>(290,753)</u>
Change in Net Position	5,593,212	10,229,189	5,717,077	2,790,217	7,100,159	89,630	31,519,484
Total Net Position - beginning	71,624,521	45,060,966	66,470,942	15,086,594	121,208,695	16,868,211	336,319,929
Prior period adjustment	-	(1,802,270)	-	-	-	-	(1,802,270)
Total Net Position - ending	<u>\$ 77,217,733</u>	<u>\$ 53,487,885</u>	<u>\$ 72,188,019</u>	<u>\$ 17,876,811</u>	<u>\$ 128,308,854</u>	<u>\$ 16,957,841</u>	<u>\$ 366,037,143</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:							837,520
Change in Net Position of business-type activities:							<u>\$ 32,357,004</u>

Spanish Fork City
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Electric Fund	Broadband Fund	Streets & Storm Drain Fund	Non Major Enterprise Funds	Total Enterprise Funds
Cash Flows From Operating Activities							
Receipts from customers	\$ 6,569,668	\$ 7,021,037	\$ 33,349,729	\$ 10,371,758	2,690,796	\$ 3,803,210	\$ 63,806,198
Other cash receipts	12,221	241,525	-	-	4,422,428	125,304	4,801,478
Payments to suppliers	(5,487,923)	(2,329,939)	(24,401,243)	(5,042,945)	(6,886,097)	(3,061,960)	(47,210,107)
Payments to employees	(1,538,365)	(1,169,633)	(3,068,038)	(2,942,742)	(1,822,382)	(497,208)	(11,038,368)
Net cash provided (used) by operating activities	(444,399)	3,762,990	5,880,448	2,386,071	(1,595,255)	369,346	10,359,201
Cash Flows From Noncapital Financing Activities							
Advances to other funds	179,231	-	(996,275)	-	-	-	(817,044)
Advances from other funds	-	-	-	957,665	-	-	957,665
Transfers in (out)	(350,000)	(150,000)	(1,904,503)	800,000	1,233,750	80,001	(290,752)
Net cash provided (used) by noncapital activities	(170,769)	(150,000)	(2,900,778)	1,757,665	1,233,750	80,001	(150,131)
Cash Flows From Capital and Related Financing Activities							
Decrease (increase) of Notes Receivable	-	661,417	-	-	-	-	661,417
Increase (decrease) of Cash Held on Behalf of Mapleton City	-	(4,896,293)	-	-	-	-	(4,896,293)
Purchases of capital assets	(11,493,220)	(29,382,995)	(6,035,408)	(1,070,335)	(18,527,302)	(737,978)	(67,247,238)
Principal payments on capital debt	(617,000)	-	-	-	-	-	(617,000)
Interest paid on capital debt	(397,977)	(2,434,950)	-	-	-	-	(2,832,927)
Contributions from (reimbursements to) private contractors	3,708,464	2,807,283	1,378,179	-	10,827,749	-	18,721,675
Impact fees collected	4,183,628	2,102,366	2,009,348	-	3,608,305	-	11,903,647
Grant proceeds	1,000,000	4,000,050	-	-	-	215,699	5,215,749
Net cash provided (used) by capital and related financing activities	(3,616,105)	(27,143,122)	(2,647,881)	(1,070,335)	(4,091,248)	(522,279)	(39,090,970)
Cash Flows From Investing Activities							
Interest and dividends received	362,852	2,757,981	628,473	141,661	92,257	61,205	4,044,429
Net cash provided (used) by investing activities	362,852	2,757,981	628,473	141,661	92,257	61,205	4,044,429
Net increase (decrease) in cash and cash equivalents	(3,868,421)	(20,772,151)	960,262	3,215,062	(4,360,496)	(11,727)	(24,837,471)
Cash and cash equivalents, July 1	10,032,072	75,871,492	16,143,774	3,011,391	5,614,759	1,851,175	112,524,663
Cash and cash equivalents, June 30	<u>\$ 6,163,651</u>	<u>\$ 55,099,341</u>	<u>\$ 17,104,036</u>	<u>\$ 6,226,453</u>	<u>\$ 1,254,263</u>	<u>\$ 1,839,448</u>	<u>\$ 87,687,192</u>
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income	\$ (3,069,555)	589,383	\$ 3,452,028	\$ 1,708,565	(8,744,431)	\$ (616,420)	\$ (6,680,430)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	3,054,460	2,355,687	1,815,090	828,108	5,185,649	355,320	13,594,314
(Increase) decrease in accounts receivable	(40,256)	(328,879)	(79,358)	(54,238)	(318,787)	102,108	(719,410)
Decrease (increase) in inventory	-	-	(1,629,216)	-	-	20,228	(1,608,988)
Increase (decrease) in accrued liabilities	(337,626)	1,141,702	1,463,254	(117,005)	1,712,184	488,093	4,350,602
Increase (decrease) in compensated absences	(54,362)	19,187	33,755	20,641	25,017	20,017	64,255
Increase (decrease) in customer deposits	2,940	(14,090)	824,895	-	545,113	-	1,358,858
Total adjustments	2,625,156	3,173,607	2,428,420	677,506	7,149,176	985,766	17,039,631
Net cash provided (used) by operating activities	<u>\$ (444,399)</u>	<u>3,762,990</u>	<u>\$ 5,880,448</u>	<u>\$ 2,386,071</u>	<u>(1,595,255)</u>	<u>\$ 369,346</u>	<u>\$ 10,359,201</u>

**Spanish Fork City
Statement of Net Position
Fiduciary Fund
As of June 30, 2023**

	<u>Custodial Funds</u>
	Fire
	Retirement
	<u>Capital Fund</u>
ASSETS	
Cash and equivalents	\$ 111,041
Total assets	<u>111,041</u>
 LIABILITIES AND FUND BALANCES	
Net position:	
Deferred compensation	<u>111,041</u>
Total net position	<u>111,041</u>
Total liabilities and net position	<u>\$ 111,041</u>

Spanish Fork City
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended June 30, 2023

	<u>Custodial Funds</u>
	Fire
	Retirement
	<u>Capital Fund</u>
REVENUES:	
Employer contribution	\$ 38,972
Interest income	<u>4,106</u>
Total	<u>43,078</u>
EXPENDITURES:	
Retirement payments	<u>39,442</u>
Total	<u>39,442</u>
Excess of revenues over (under) expenditures	<u>3,636</u>
Net position - beginning of year	<u>107,405</u>
Net position - end of year	<u><u>\$ 111,041</u></u>

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP) as applied to government agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The City of Spanish Fork was incorporated in 1855 under the laws of the State of Utah. The city operates under a Mayor-Council form of government. The City provides municipal services under the following organizational structure.

Mayor and City Council: Mayor and City Council, Community Promotion, and Advisory Boards and Commissions.

City Administration: City Administrator, Risk Management, Emergency Operations, Recorder, Community and Neighborhood, and Computer Services.

Financial Services: Finance Director, Treasurer, Utilities, Accounting, and Purchasing.

City Attorney: Legal Services, Prosecution, Civil and Environmental Law, and Personnel.

Development Services: Economic Development, Planning and Zoning and Code Enforcement.

Public Safety: Police, Fire, Ambulance, Animal Control and Justice Center.

Public Works: Engineering, Building Inspections, Parks, Fleet Maintenance, Culinary Water and Pressurized Irrigation Services, Sewer Services, Electric Services, Solid Waste Services, Street Lighting, Streets and Storm Drainage Services, and Airport Operations.

Recreation: Recreation Programs, Building and Grounds, Golf Course, Senior Center, Special Events and Arts Council Programs.

Library: Library Administration and Public Services.

Broadband Services: Cable, Internet, and Phone Services.

The City is a municipal corporation governed by an elected five-member Council and Mayor. As required by generally accepted accounting principles, these financial statements present the City (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The Redevelopment Agency is governed by a separate governing board, who are the City's Mayor and Council. The financial statements of the Redevelopment Agency are included in the accompanying financial statements as a blended component unit as a Special Revenue Fund.

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

The Statement of Net position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. For the most part, the effect of inter-fund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues,

and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Program revenues are those that are clearly identifiable with a specific function or segment. Programs revenues include 1) charges to customers or applicants who purchase, use directly or benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The Golf Course and Swimming Pool are reported in the General Fund.

Debt Service Fund

The Debt Service Fund account for the resources accumulated and payments made for principal and interest on long-term general-obligation debt of governmental funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. The reporting entity reports the Redevelopment Agency (RDA) Fund, the Recreation, Arts, and Parks (RAP) Tax Fund, and the Local Building Authority (LBA) Fund, as Special Revenue Funds.

Capital Project Funds

The Capital Project Funds are used to account for resources designated for the acquisition or construction of specific capital projects or items. The reporting entity includes Capital Project Funds which are used to account for the acquisition of capital assets with transfers made from other funds.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following Enterprise funds: Water, Sewer, Electric, Garbage, Streets and Storm Drainage, Broadband, Airport, and Gun Club. In 2021, the airport was moved from the General Fund into an Enterprise Fund. Also in 2021, the Broadband utility which had previously been included in the Electric Fund was separated into its own Enterprise Fund.

Internal Service Fund

Internal Service Funds account for fleet management services provide to other departments or agencies of the government on a cost reimbursement basis.

Major and Nonmajor Funds

The funds are further classified as major or non-major as follows:

Fund	Brief Description
Major:	
General	See above for description.
Enterprise Funds:	
Water, Sewer, Electric, Streets and Storm Drainage, and Broadband Funds	Accounts for revenues and expenditures of water, sewer, electric, streets and storm drain, and broadband utilities. These funds also account for the accumulation of resources for, and the payment of, long term debt principal and interest associated with these utilities. All costs are financed through charges to customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds. The Water Fund consists of culinary and secondary water systems. Electric Fund consists of the electric. Sewer Fund consists of sewer collections and sewer plant systems. Streets and Storm Drainage Fund accounts for revenues and expenditures of Streets and Storm Drainage Utility. The Broadband fund consist of the cable, internet, and phone systems.
Nonmajor Governmental Funds:	
Debt Service Fund	The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general-obligation debt of governmental funds.
Recreation, Arts, and Parks (RAP) Tax Fund	Accounts for the revenue and expenditures of the (RAP) taxes.
Local Building Authority (LBA) Fund	This fund accounts for the accumulation of resources for, and the payment of, long term debt principal and interest associated with construction of buildings.
Redevelopment Agency Fund	Accounts for activity within the City's redevelopment agency.
Capital Projects Funds	Accounts for the accumulation of funds, revenues and expenditures on specific projects.
Nonmajor Enterprise Funds:	
Airport Fund	Accounts for revenues and expenditures of the airport.
Garbage Fund	Accounts for revenues and expenditures of the garbage utility.
Gun Club Fund	Accounts for revenues and expenditures of the gun club.
Internal Service Funds:	
Motor Pool	This fund is used to account for the costs of purchasing and maintaining vehicles and equipment owned by the City.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Custodial funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and custodial funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principle ongoing operations.

Sales taxes, use taxes, franchise taxes, and earned but un-reimbursed state and federal grant associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenue when they become available. Available means when due, or past due and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

As a general rule, the effect of inter-fund activity has been eliminated from the government financial statements. Exceptions to this general rule are payments to the general fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Another exception is the plant assessment charged by the electric fund to the water and sewer funds for the use of assets owned by the electric fund.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash & Cash Equivalents and Investments

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

The City categorizes the fair value measurements of its investments in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to” and “due from” other funds. Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.G. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, sales and use taxes and franchise taxes. Business-type activities report utilities billings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

Cash, which is restricted to a particular use due to statutory, budgetary or bonding requirements, is classified as “restricted cash” on the Statement of Net Position and on the Balance Sheets.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets that are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Description	Years
Buildings and structures	30-50
Improvements other than buildings	20-50
Machinery and equipment	5-10
Furniture and fixtures	5-10
Infrastructure	20-40

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts, impact fees and utility meter deposits.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and notes payable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's personnel policies permits departmental heads to accumulate up to 480 hours and other employees to accumulate up to 240 hours of earned, but unused, vacation time. Accumulated vacation time will be paid to employees upon termination. Accumulated sick leave is paid upon termination or retirement at a rate of between 25% and 33% of the accumulated amount. The accrued liability is based on a 28% rate.

At June 30, 2023 the total liability for accrued vacation pay and the total liability for accrued sick leave is as follows:

	Liability Amount		
	Governmental Activities	Business -Type Activities	Total
Vacation Liability	\$ 1,595,172	\$ 780,871	\$ 2,376,043
Sick Leave Liability	939,721	440,857	1,380,578
Total Compensated Absences	<u>\$ 2,534,893</u>	<u>\$ 1,221,728</u>	<u>\$ 3,756,621</u>

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- Net investments in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position—All other net assets that do not meet the definition of “restricted” or “net investments in capital assets.”

Fund Statements

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. Descriptions of each follow:

Nonspendable fund balance - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance - Amounts restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by

formal action of the government's highest level of decision-making authority, which is the City Council.

Assigned fund balance - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes. The role of assigning fund balance resides with the City Council.

Unassigned fund balance - Residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When both restricted and unrestricted fund balance is available for use, it is the City's policy to first use restricted fund balance, then committed funds, followed by assigned and then unassigned funds. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.H. for additional disclosures.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

Sales taxes are collected by the Utah State Tax Commission and are remitted to the City monthly. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue.

Property Tax

Property taxes are based on the assessments against property owners. Tax levies on such assessed values are certified to Utah County prior to the commencement of the fiscal year. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30 of each year. Property taxes are collected by the Utah County Treasurer and remitted to the City shortly after collection. The real property taxes that are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred inflows.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character:

- Current (further classified by function)
- Debt Service
- Capital Outlay

Proprietary Fund—By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds and between individual business-type funds have been eliminated.

Use of estimates

Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues and expenses. Actual results may vary from these estimates.

1.F PENSIONS

For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources, deferred inflows of resources, and pension/benefit expense related to pensions, information about the fiduciary net position of the Utah Retirement System 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.

1.G. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of City 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 Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Act also defines the types of securities allowed as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or non-negotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services

or Standard & Poor's bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political 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 by the Act; and the Utah Public Treasurers' Investment Fund.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America, repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements, or certain other investments.

2.B. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 1.E.
(RAP) Tax	(RAP) Projects and Programs
Redevelopment Agency Revenue	Redevelopment Projects and Programs
Water and Electric Revenue	Debt Service and Utility Operations
Impact Fee Revenue	Capital Improvements
B & C Road Funds	Eligible B & C Roads

For the year ended June 30, 2023, the City complied, in all material respects, with these revenue restrictions.

2.C. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

No debt in excess of total revenue for the current year shall be created by any city unless the proposition to create such debt shall have been submitted to a vote of qualified electors. Cities shall not contract for debt to an amount exceeding four percent of the fair market value of taxable property in their jurisdictions. For the year ended June 30, 2023, the City had no general obligation debt.

Other Long-term Debt

Cities may incur a larger indebtedness for the purpose of supplying such city water, sewer, or electricity when such public works are owned and controlled by the municipality. The additional indebtedness shall not exceed four percent for first and second class cities and eight percent for third class cities. For the year ended June 30, 2023, the City had **\$84,527,000** of such indebtedness.

Bonds Payable

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required reserve account balances. The schedule on the following page presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2023.

Requirement	Level of Compliance
a. Bonds Payable Coverage:	1. Net electric and water operating revenues (excluding depreciation) must equal 1.10 (electric revenue bonds) and 1.25 (water revenue bonds) times the annual debt service plus the unfunded portion of the Debt Service Reserve Requirement to be due and payable for the forthcoming year on the 2009 Electric Revenue Bonds, the 2002, 2011, & 2012 Water Revenue Bonds. Sales tax Revenue Bond 2007 must equal 2.0 times the annual debt service.
b. Reserve Account Requirement:	Various escrows are set up as reserves to make the annual debt payments. Minimum balances are required to be kept in each of the escrows.

2.D. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles. All funds of the City have legally adopted budgets.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- A. On or before the first regularly scheduled meeting of the City Council in May, the City administrator, authorized under state statute to be appointed budget officer, submits a proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22nd, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1st.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing as required in B above must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to re-appropriation. Therefore, no encumbrances are presented in the financial statements.

During the budget year, the City modified the budget on several occasions using the above procedures.

2.E. FUND EQUITY RESTRICTIONS

Utah Code 10-6-116(4) indicates only the “fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes.” The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 35% of the total revenue of the general fund.

2.F. OTHER GOVERNMENT AGREEMENTS

In Fiscal Year 2021 the city issued bonds to finance the construction of a new sewer plant. The city reached an agreement with Mapleton City for Mapleton City to be a part owner of the new sewer plant. Mapleton City will pay for 20% of the cost of the construction for the plant. To finance this project the cities issued bonds together. The sewer plant financial statements show Mapleton City’s share of the cash that was received from the bond issuance as well as Mapleton City’s share of the debt shown.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the financial statements for its assets, deferred outflows, liabilities, deferred inflows, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits

Deposits – Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a formal deposit policy for bank custodial credit risk. As of June 30, 2023, The City’s custodial credit risk for deposits is as follows:

		Balance June 30, 2023
Depository Accounts	<u>Custodial Credit Risk</u>	
	Insured	\$ 250,000
	Uninsured and uncollateralized	9,482,639
	Total Depository Accounts	<u>\$ 9,732,639</u>

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.

Spanish Fork City follows the requirements of the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Spanish Fork City 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 Utah Money Management Council.

The Money Management Act defines the types of securities authorized as appropriate investments for Spanish Fork City’s funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, certified investment advisors, or directly with issuers of the investment securities.

Statutes authorize Spanish Fork City 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 Money Management 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 the 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.

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 of Investments

Spanish Fork City 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:* Valuations based on quoted prices in active markets for identical assets or liabilities that the City has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail any significant degree of judgment. Securities classified as Level 1 inputs include U.S. Government securities and certain other U.S. Agency and sovereign government obligations.;
- *Level 2:* Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Securities classified as Level 2 include: corporate and municipal bonds, and “brokered” or securitized certificates of deposit; and,
- *Level 3:* Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At June 30, 2023, Spanish Fork City had the following recurring fair value measurements:

Security Type Category	Level 1	Level 2	Level 3	Other	Total
Agency	\$ 4,202,995	\$ -	\$ -	\$ -	\$ 4,202,995
CD	-	22,054,393			22,054,393
Corporate	-	16,131,079	-	-	16,131,079
Currency	9,026	-	-	-	9,026
MM Fund	2,404,635	-	-	-	2,404,635
US Gov	3,344,152	-	-	-	3,344,152
Total Fair Value	\$ 9,960,809	\$ 38,185,472	\$ -	\$ -	\$ 48,146,280

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Spanish Fork City’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2023, Spanish Fork City’s investments had the following maturities:

	Fair Value	Investment Maturity in Years- Fair Value			
		Less Than 1	1-3	3-5	More Than 5
Cash	\$ 9,026	\$ 9,026	\$ -	\$ -	\$ -
CD	22,130,657	3,235,922	14,515,293	4,379,443	-
AGCY BOND	4,222,224	1,993,044	1,239,796	989,383	-
Corp	15,024,816	4,259,683	10,765,132	-	-
MM Fund	2,404,635	2,404,635	-	-	-
US Gov	3,359,239	488,246	2,098,594	772,400	-
Yankee	1,224,411	-	1,224,411	-	-
Total Fair Value	\$48,375,008	\$12,390,557	\$29,843,226	\$6,141,226	\$ -

	Book Value	Investment Maturity in Years- Book Value			
		Less Than 1	1-3	3-5	More Than 5
Cash	\$ 9,026	\$ 9,026	\$ -	\$ -	\$ -
CD	22,763,364	3,264,106	14,939,428	4,559,831	-
AGCY BOND	4,246,817	1,997,209	1,249,608	1,000,000	-
Corp	14,931,627	4,248,621	10,683,006	-	-
MM Fund	2,404,635	2,404,635	-	-	-
US Gov	3,503,403	498,888	2,210,212	794,303	-
Yankee	1,225,000	-	1,225,000	-	-
Total Book Value	\$49,083,873	\$12,422,485	\$30,307,254	\$6,354,134	\$ -

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Spanish Fork City’s policy for reducing its exposure to credit risk is to comply with the State’s Money Management Act, as previously discussed.

At June 30, 2023, Spanish Fork City’s investments had the following quality ratings:

Rating	Investment Ratings	
	Book Value	Market Value Plus Accrued
AAA	\$ 10,198,197	\$ 9,995,124
AA+	1,246,458	1,233,524
AA	1,452,579	1,443,483
AA-	1,810,284	1,803,918
A+	10,479,456	10,453,896
A	3,216,344	3,146,272
A-	1,475,365	1,442,285
BBB-	240,016	225,222
NA	18,951,771	18,397,360
NR	242,130	233,925
	<u>\$ 49,312,601</u>	<u>\$ 48,375,009</u>

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. Spanish Fork City’s policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management 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.

At June 30, 2023, Spanish Fork City does not hold more than 5 percent of total investments in any single security concentration other than U. S. Government Treasuries and Agencies.

The City follows the requirements of the Utah Money Management act (Section 61, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers’ Investment Fund (UPTIF), trade commercial paper, bankers’ acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligation of government entities within the State of Utah. The UPTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the UPTIF. The degree of risk of the UPTIF depends upon the underlying portfolio. 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. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices. The UPTIF is unrated.

The deposits and investments described above are included on the Statement of Net position as per the following reconciliation:

Reconciliation to Government-Wide Statement of Net Position

Deposits & Reserves	\$ 51,464,725
Investments	98,404,643
Cash on Hand	3,058
Total	<u>\$ 149,872,426</u>
Government-Wide	
Cash & Cash Equivalents	\$ 81,367,241
Restricted Cash & Cash Equivalents	68,394,144
Fiduciary Restricted Cash	111,041
Total	<u>\$ 149,872,426</u>
Net Cash on Statement of Net Position	\$ 149,761,385
Fiduciary Restricted Cash	111,041
Total	<u>\$ 149,872,426</u>

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets or cash, investments, and accrued interest held by the trustee bank on behalf of the various public trusts (Authorities) related to their required note payable accounts as described in Note 2.C, and amounts held in trust for developers and unspent impact fees collected. The restricted assets as of June 30, 2023 are as follows:

Type of Restricted Asset	Cash/Time Deposites	Investments	Accrued Int	Total
Business-Type Activities:				
Customer deposits	\$ 420,123	\$ -	\$ -	\$ 420,123
Sewer plant construction	33,406,436	-	-	33,406,436
Water bond requirements	239,065	-	-	239,065
Final inspection deposits	3,998,715	-	-	3,998,715
Total	38,064,339	-	-	38,064,339
Governmental Activities:				
Developer escrows	11,325,769	-	-	11,325,769
Final inspection deposits	3,686,477	-	-	3,686,477
LBA Construction	9,193,309	-	-	9,193,309
Debt services	495,712	-	-	495,712
RAP programs	2,217,122	-	-	2,217,122
RDA requirements	3,411,416	-	-	3,411,416
Total	30,329,805	-	-	30,329,805
Grand Total	<u>\$ 68,394,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,394,144</u>

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2023 were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivables	\$ 388,541	\$ 6,231,619	\$ 6,620,160
Property tax	5,062,402	-	5,062,402
Other tax	2,826,915	-	2,826,915
Allowance for doubtful accounts	-	(44,808)	(44,808)
Net accounts receivable	<u>\$ 8,277,858</u>	<u>\$ 6,186,811</u>	<u>\$ 14,464,669</u>

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3.D. CAPITAL ASSETS

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

	Balance at June 30, 2022	Additions	Disposals/Transfers	Balance at June 30, 2023
Governmental Activities:				
Land (not being depreciated)	\$ 16,203,798	\$ 4,718,812	\$ -	\$ 20,922,610
Buildings	\$ 52,315,743	\$ 14,341,008	\$ -	\$ 66,656,751
Improvements	\$ 32,246,232	\$ 1,257,382	\$ (157,995)	\$ 33,345,619
Machinery and equipment	\$ 22,986,007	\$ 4,138,978	\$ (1,222,444)	\$ 25,902,541
Infrastructure	\$ 19,625,577	\$ 1,412,589	\$ -	\$ 21,038,166
Totals at historical cost	<u>\$ 143,377,357</u>	<u>\$ 25,868,769</u>	<u>\$ (1,380,439)</u>	<u>\$ 167,865,687</u>
Less accumulated depreciation				
Buildings	\$ (17,750,536)	\$ (1,544,942)	\$ -	\$ (19,295,478)
Improvements	\$ (12,898,448)	\$ (1,022,236)	\$ 154,865	\$ (13,765,819)
Machinery and equipment	\$ (12,640,700)	\$ (2,112,288)	\$ 881,402	\$ (13,871,586)
Infrastructure	\$ (1,472,522)	\$ (594,271)	\$ -	\$ (2,066,793)
Total accumulated depreciation	<u>\$ (44,762,206)</u>	<u>\$ (5,273,737)</u>	<u>\$ 1,036,267</u>	<u>\$ (48,999,676)</u>
Governmental Activities: capital assets, net	<u>\$ 98,615,151</u>	<u>\$ 20,595,032</u>	<u>\$ (344,172)</u>	<u>\$ 118,866,011</u>
Business-Type Activities				
Land (not being depreciated)	\$ 15,160,346	\$ -	\$ (1,802,275)	\$ 13,358,071
Water shares (not being depreciated)	\$ 6,943,282	\$ 539,780	\$ -	\$ 7,483,062
Buildings and structures	\$ 7,693,493	\$ 53,838	\$ (58,791)	\$ 7,688,540
Improvements	\$ 456,442,428	\$ 66,584,511	\$ -	\$ 523,026,939
Machinery and equipment	\$ 12,368,064	\$ 869,567	\$ (132,050)	\$ 13,105,581
Totals at historical cost	<u>\$ 498,607,613</u>	<u>\$ 68,047,696</u>	<u>\$ (1,993,116)</u>	<u>\$ 564,662,193</u>
Less accumulated depreciation				
Buildings and structures	\$ (3,962,000)	\$ (201,905)	\$ -	\$ (4,163,905)
Improvements	\$ (168,019,580)	\$ (12,995,824)	\$ -	\$ (181,015,404)
Machinery and equipment	\$ (11,051,972)	\$ (396,585)	\$ 190,836	\$ (11,257,721)
Total accumulated depreciation	<u>\$ (183,033,552)</u>	<u>\$ (13,594,314)</u>	<u>\$ 190,836</u>	<u>\$ (196,437,030)</u>
Business-Type Activities: capital assets, net	<u>\$ 315,574,061</u>	<u>\$ 54,453,382</u>	<u>\$ (1,802,280)</u>	<u>\$ 368,225,163</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
General government	\$ 82,552
Public safety	831,551
Parks	2,305,531
Governmental portion of internal service fund	2,054,103
Total depreciation expense	\$ 5,273,737
Business-Type Activities	
Water	\$ 3,054,460
Electric	2,355,687
Sewer	1,815,090
Broadband	828,108
Garbage	40,245
Streets and storm drainage	5,185,649
Gun club	3,287
Airport	311,788
Total depreciation expense	\$ 13,594,314

3.E. ACCOUNTS PAYABLE & DEFERRED INFLOW

Accounts payable are composed of payroll related items, sales taxes and day to day operating purchases.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time.

Governmental funds report revenue that is unavailable as deferred inflows of resources. Governmental funds report unavailable revenue from property taxes and from special assessments. These amounts are deferred and recognized as revenue in the period that they become available.

At the end of the current fiscal year, the various components of *deferred inflows* reported in the governmental funds were as follows:

	Unavailable	Unearned
Deferred property tax	\$ 5,062,294	\$ -
Deferred inflows - pension	209,612	-
Total deferred inflows of resources for governmental funds	\$ 5,271,906	\$ -

3.F. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities:

As of June 30, 2023, the governmental long-term debt of the financial reporting entity consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Balance</u>
Sales Tax Revenue Bond Series 2014, Dated December 23, 2014 (Original amount \$13,305,000)	0.75%-5%	April 15, 2027	\$ 6,080,000
Local Building Authority Bond Series 2021, Dated February 25, 2021 (Original amount \$20,120,000)	.85%-2.4%	March 15, 2041	18,335,000
Local Building Authority Bond Series 2021, Dated May 20, 2022 (Original amount \$12,000,000)	2.2%-4.55%	March 15, 2042	11,598,000
Total Bonds Payable Government Activities			<u>36,013,000</u>
Less current portion			<u>(2,659,000)</u>
Total Long term portion of bonds payable- government activities			<u>\$ 33,354,000</u>

Business-type Activities:

As of June 30, 2023, the long-term debt payable from proprietary fund resources consisted of the following:

Business-Type Activities

As of June 30, 2023, the long-term debt payable from proprietary fund resources consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Balance</u>
Water Revenue Bonds Series 2011, Dated October 26, 2011 (Original Amount \$2,040,000)	1.87%	June 1, 2032	\$ 1,012,000
Sewer Revenue Bonds Series 2020, Dated August 5, 2020 (Original Amount \$73,345,000)	1.8-5%	September 1, 2040	73,345,000
Water Revenue Bonds Series 2020, Dated November 5, 2020 (Original Amount \$10,685,000)	2-5%	June 1, 2037	10,170,000
		Total Bonds Payable Government Activities	<u>84,527,000</u>
		Less current portion	<u>(3,439,000)</u>
		Total Long term portion of bonds payable- government activities	<u>\$ 81,088,000</u>

Changes in Long-term Debt:

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

Type of Debt	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Governmental activities:				
Bonds:				
Bonds payable	\$ 38,655,000	\$ -	\$ (2,642,000)	\$ 36,013,000
Total bonds:	38,655,000	-	(2,642,000)	36,013,000
Direct borrowings	192,726	-	(64,242)	128,484
Total direct borrowings:	192,726	-	(64,242)	128,484
Compensated absences	2,318,010	216,883	-	2,534,893
Total - Governmental Activities	\$ 41,165,736	\$ 216,883	\$ (2,706,242)	\$ 38,676,377
Business-type Activities:				
Bonds:				
Bonds payable	\$ 85,144,000	\$ -	\$ (617,000)	\$ 84,527,000
Total bonds:	85,144,000	-	(617,000)	84,527,000
Compensated absences	1,157,473	64,255	-	1,221,728
Total - Business-type Activities	\$ 86,301,473	\$ 64,255	\$ (617,000)	\$ 85,748,728
Due Within One Year	\$ 3,323,242	\$ (6,162,242)	\$ (3,323,242)	\$ (6,162,242)

The City has outstanding bonds and other direct borrowings related to governmental activities, and related to business-type activities. The outstanding bonds and other direct borrowings are all secured with their respective revenues and/or property and equipment as collateral.

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2023, are as follows:

Year Ending June 30	Governmental Activities Bonds Payable		Business-Type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
2024	\$ 2,659,000	\$ 962,820	\$ 3,439,000	\$ 2,730,699
2025	2,752,000	875,482	3,601,000	2,558,755
2026	2,896,000	783,140	3,783,000	2,378,272
2027	3,002,000	700,080	3,985,000	2,188,128
2028-2032	7,665,000	2,789,814	23,084,000	7,771,830
2033-2037	8,523,000	1,959,352	26,835,000	3,406,275
2038-2042	8,516,000	786,853	19,800,000	802,000
Total	<u>\$ 36,013,000</u>	<u>\$ 8,857,541</u>	<u>\$ 84,527,000</u>	<u>\$ 21,835,959</u>

3.G. INTERNAL TRANSACTIONS

Operating Transfers:

	Transfers in	Transfers out
Governmental Activities:		
General fund	\$ 1,975,000	\$ (13,275,522)
Local Building Authority fund	60,000	-
RDA fund	448,657	-
Debt service fund	1,092,689	-
Land acquisition fund	4,390,302	-
Golf course improvements fund	57,548	-
Recreation center fund	6,542,079	(1,000,000)
Total Governmental Activities	14,566,275	(14,275,522)
Business-Type Activities:		
Major Funds:		
Water fund	-	(350,000)
Sewer fund	-	(150,000)
Electric fund	-	(1,904,503)
Streets & Storm Drain	1,258,750	(25,000)
Broadband fund	1,000,000	(200,000)
Non-Major Funds:		
Airport fund	105,000	-
Garbage fund	-	(25,000)
Total Business-Type Activities	2,363,750	(2,654,503)
Grand Totals	\$ 16,930,025	\$ (16,930,025)

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

Interfund Services:

	Interfund Services Expense	Interfund Services Revenue
Major business-type activities:		
Water fund	\$ 1,899,515	\$ -
Sewer fund	1,204,195	-
Broadband fund	306,692	-
Electric fund	1,323,619	-
Storm drain fund	857,185	-
Non-major business-type activities:		
Garbage fund	193,169	-
Airport fund	42,632	-
Major governmental activities:		
General fund	-	5,827,007
Total	\$ 5,827,007	\$ 5,827,007

3.H. INTERNAL BALANCES

Interfund services are charges assessed to the business type activities for services provided by the general fund.

Interfund Loans:

Loan Purpose: The Electric Fund loaned \$2,100,000 to the general government towards the construction of an all-abilities park. The general government will pay this back over a 10-year period. The loan was initially subject to interest calculated at 2.5%. This was the rate of a 10-year US Treasury note at the time. The rate of the 10-year US Treasury notes has since changed and the loan was refinanced at the rate of 1.75% for the final eight years of the loan. The payment schedule is as follows.

Year	Payment Date	Fiscal Year	Capitalized Interest	Interest	Principal	Payment	Balance
	3/31/2020	2020					\$2,100,000.00
1	3/31/2021	2021	\$52,500.00				\$2,152,500.00
2	3/31/2022	2022	\$53,812.50				\$2,206,312.50
3	3/31/2023	2023	\$38,610.47				\$2,244,922.97
4	3/31/2024	2024		\$39,286.15	\$304,255.72	\$343,541.88	\$1,940,667.26
5	3/31/2025	2025		\$33,961.68	\$309,580.20	\$343,541.88	\$1,631,087.06
6	3/31/2026	2026		\$28,544.02	\$314,997.85	\$343,541.88	\$1,316,089.21
7	3/31/2027	2027		\$23,031.56	\$320,510.32	\$343,541.88	\$995,578.89
8	3/31/2028	2028		\$17,422.63	\$326,119.25	\$343,541.88	\$669,459.65
9	3/31/2029	2029		\$11,715.54	\$331,826.33	\$343,541.88	\$337,633.31
10	3/31/2030	2030		\$5,908.58	\$337,633.29	\$343,541.88	\$0.00

The Water Fund loaned \$1,940,250 to the general government towards the construction of a new golf course irrigation system. The general government will pay this back over a 10-year period. The loan is subject to interest calculated at 1.75%. This amount is reflected in the internal balances on the Statement of Net Position. The payment schedule is as follows.

Year	Payment Date	Fiscal Year	Interest	Principal	Payment	Balance
	3/31/2022	2022				\$1,940,250.00
1	3/31/2023	2023	\$33,954.38	\$179,231.26	\$213,185.64	\$1,761,018.74
2	3/31/2024	2024	\$30,817.83	\$182,367.81	\$213,185.64	\$1,578,650.93
3	3/31/2025	2025	\$27,626.39	\$185,559.25	\$213,185.64	\$1,393,091.68
4	3/31/2026	2026	\$24,379.10	\$188,806.53	\$213,185.64	\$1,204,285.15
5	3/31/2027	2027	\$21,074.99	\$192,110.65	\$213,185.64	\$1,012,174.51
6	3/31/2028	2028	\$17,713.05	\$195,472.58	\$213,185.64	\$816,701.92
7	3/31/2029	2029	\$14,292.28	\$198,893.35	\$213,185.64	\$617,808.57
8	3/31/2030	2030	\$10,811.65	\$202,373.99	\$213,185.64	\$415,434.58
9	3/31/2031	2031	\$7,270.11	\$205,915.53	\$213,185.64	\$209,519.05
10	3/31/2032	2032	\$3,666.58	\$209,519.05	\$213,185.64	\$0.00

Internal Service Fund Activity:

The city has a Motor Pool Fund that purchases city fleet, which includes vehicles and equipment. The Motor Pool Fund provides fuel and maintenance for the city fleet. The Motor Pool fund balance is allocated between Governmental and Business-type activities based on the proportional share of operating expenses. The Motor Pool Fund has a fund balance of **\$17,179,492** on June 30, 2023. The Business Type Activity Funds share of this fund balance is **\$7,205,060**. This amount is reflected in the internal balances on the Statement of Net Position.

Internal Balances Reconciliation:

Interfund Loans	\$ 4,005,942
Internal Service Fund Balance Allocation	7,205,060
Total Internal Balances	<u>\$ 11,211,002</u>

3.I. RESERVED FUND BALANCES

The City has reserved fund balance amounts for impact fees. The City has reserved net position in the Proprietary Fund for unspent impact fees. These fees will be used to construct appropriate projects as designated by the impact fee ordinance. The City has reserved net position in the Water Fund and the Electric Fund and fund balance in the Debt Service fund for the debt service requirements of the bonds acquired.

NOTE 4. OTHER NOTES

4.A. RISK MANAGEMENT

The City 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 City has joined together with other government in the State of Utah to form the Utah Risk Management Mutual Association (URMMA), a public entity risk pool currently operating as a common risk management insurance program for the Utah State governments. The City pays an annual premium to URMMA for its tort liability insurance coverage.

4.B. COMMITMENTS AND CONTINGENCIES

The City is involved in claims arising in the normal course of business. It is not possible to state the ultimate liability, if any, in these matters. In the opinion of management, such litigation will have no material effect on the financial operations of the City.

4.C. JOINT VENTURES

Utah Municipal Power Agency

In September, 1980, Spanish Fork City joined in a joint venture with several other municipalities to create the Utah Municipal Power Agency (UMPA). UMPA was created under the Inter-local Cooperation Act to evaluate, finance, construct and operate facilities for the generation, transmission and distribution of electric power for member cities.

Additional information is as follows:

a. Participants and their percentage shares:

Spanish Fork City Corporation	21.3%
Provo City Corporation	66.7%
Nephi City Corporation	7.2%
Manti City Corporation	2.5%
Salem City Corporation	1.5%
Levan Town	0.8%
	100.00%

- b. UMPA is governed by a Board of Directors which is comprised of six directors. The Mayor and City Council of each member-City appoints one director. All decisions of the Board are made by majority vote, except in specific decisions as described in the Inter-local Cooperation Agreement which stipulates that votes shall be by number of kilowatt hours sold. For Provo to prevail in a tie vote, they would need one additional city to vote with them.
- c. The UMPA Board of Directors governs the operations of the Agency through management employed by the Board. Since UMPA is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budgeting, and financing.
- d. The UMPA 2023 financial information were not available prior to the issuance of these statements. June 30, 2022 audited statements are the most recent available. Audited summary financial information of UMPA at June 30, 2022 are as follows from UMPA:

	UMPA	Spanish Fork City's Share
Total assets & deferred outflows	<u>\$ 225,097,020</u>	<u>\$ 47,945,665</u>
Total liabilities & deferred inflows	<u>\$ 225,093,670</u>	<u>\$ 47,944,952</u>
Total net position	<u>\$ 3,350</u>	<u>\$ 714</u>
Total operating revenues	\$ 114,367,321	\$ 24,360,239
Total operating expenses	<u>(100,672,429)</u>	<u>(21,443,227)</u>
Net operating income	13,694,892	2,917,012.00
Total non-operating income (expenses)	<u>(3,710,315)</u>	<u>(790,297)</u>
Change in net assets	<u>\$ 9,984,577</u>	<u>\$ 2,126,715</u>
Transfer in of generation assets	-	-
Deferred inflow of resources adj	(9,984,577)	(2,126,715)
Change in net position	<u>\$ -</u>	<u>\$ -</u>

- f. Audited financial statements for Utah Municipal Power Agency are available at UMPA's office.

South Utah Valley Solid Waste District

Spanish Fork City joined in a joint venture with several other municipalities to create the South Utah Valley Solid Waste District (the District). The District was created for the purpose of building a landfill and transfer station and operating the same for the benefit of member municipalities. The majority of the District's sanitation service revenue comes from these governmental entities.

Additional information is as follows:

- a. Participants and their percentage shares:

b.		
	Spanish Fork City Corporation	11.75%
	Provo City Corporation	69.75%
	Springville City Corporation	15.00%
	Mapleton City Corporation	2.00%
	Salem City Corporation	1.50%
	Goshen Town (Landfill participant)	<u>0.00%</u>
		<u>100.00%</u>

- b. The District is governed by a Board of Directors which are comprised of six directors. The Mayor and City Council of each member appoints one director. All decisions of the Board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo to prevail in a tie vote they would need one additional city to vote with them.
- c. The District's Board of Directors governs the operations of the District through management employed by the Board. Since the District is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budget.
- d. Audited summary financial information of the District as June 30, 2022 is as follows from SUVSWD:

	South Utah Valley Solid Waste District	Spanish Fork City's Share
Total assets & deferred outflows	<u>\$ 57,365,238</u>	<u>\$ 6,740,415</u>
Total liabilities & deferred inflows	<u>\$ 34,706,439</u>	<u>\$ 4,078,007</u>
Total net position	<u>\$ 22,658,799</u>	<u>\$ 2,662,409</u>
Total operating revenues	\$ 10,013,120	\$ 1,176,542
Total operating expenses	<u>8,918,399</u>	<u>1,047,912</u>
Net operating income	1,094,721	128,630
Total non-operating income (expenses)	<u>1,757,295</u>	<u>206,482</u>
Change in net assets	<u>\$ 2,852,016</u>	<u>\$ 335,112</u>
The joint venture has the following long-term debt:		
Bonds Payable	\$ 28,000,000	\$ 3,290,000
Accrued compensated absences	259,338	30,472
Net pension liability	-	-
Notes payable	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 28,259,338</u>	<u>\$ 3,320,472</u>

- f. Audited financial statements are available at the South Utah Valley Solid Waste District office.

4.D. WATER LOAN PROGRAM

The following information is presented as required by the State of Utah Water Loan Program:

1. Fidelity Bonds
 - A. Public Treasurer Bond for \$4,000,000 expiring October 22, 2024 issued by Moreton & Company.
 - B. \$100,000 Blanket Employee Bond expiring April 1, 2026 covering all employees and elected officials of the City issued by Moreton & Company.
2. 13,101 water connections at June 30, 2023
3. Total culinary water billings for the year were \$3,184,745
4. Rate schedule

Base charge	\$10.00
Price per 1,000 gallons for usage over base is	\$1.14 - \$2.14
Connection/Impact fee (1 inch)	\$1,496.97

4.E. SPANISH FORK REDEVELOPMENT AGENCY

The following information is presented as required by the Utah State Code Section 17A-2-1217(3):

1. The sales tax and property tax increment collected by the agency for each project area:	
A. North Industrial RDA	\$ -
B. Kirby Lane RDA	-
C. Wasatch Wind CDA	-
D. Sierra Bonita CDA	114,876
E. Krona CRA	290,411
Total Collected	<u>\$ 405,287</u>
2. The amount of tax increment paid to any taxing agency:	
A. North Industrial RDA	\$ -
B. Kirby Lane RDA	-
C. Wasatch Wind CDA	-
D. Sierra Bonita CDA	30,488
Total Paid	<u>\$ 30,488</u>
3. The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	\$ -
4. The actual amounts expended for :	
A. Acquisition of property	\$ -
B. Site improvements	-
C. Installation of public utilities and roads	-
D. Administrative & contracted costs	427,643
Total Expended	<u>\$ 427,643</u>

4.F. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

General Information about the Pension Plan

Plan Description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- **Public Employees Noncontributory Retirement System** (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- **Public Safety Retirement System** (Public Safety System) is cost sharing, multiple employer retirement system.
- **Tier 2 Public Employees Contributory Retirement System** (Tier 2 Public Employees System) is a multiple employer cost sharing public employee retirement system;
- **Tier 2 Public Safety and Firefighter Contributory Retirement System** (Tier 2 Public Safety and Firefighters 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 System's 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 direction of the 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 report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website www.urs.gov.

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 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years 2.0% per year over 20 years	Up to 2.5% or 4% depending on the employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year to June 30, 2020 2.00% per year July 1, 2020 to present	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: 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 URS 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 are as follows:

Utah Retirement Systems	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer rate for 401(k) Plan
Contributory System				
111-Local Government Division Tier 2	N/A	N/A	16.01	0.18
Noncontributory System				
15-Local Government Division Tier 1	N/A	N/A	17.97	N/A
Public Safety Retirement System				
Contributory				
122 Tier 2 DB Hybrid Public Safety	N/A	2.59	25.83	N/A
Noncontributory				
122-Other Division A Contributory Tier 2	N/A	N/A	34.04	N/A
Firefighters Retirement System				
31 Other Division A	N/A	15.05	3.61	N/A
132 Tier 2 DB Hybrid Firefighters	N/A	2.59	14.08	N/A
Tier 2 DC Only				
211 Local Government	N/A	N/A	6.19	10.00
222 Public Safety	N/A	N/A	11.83	14.00
232 Firefighters	N/A	N/A	0.08	14.00

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 Contribution	Employee Contribution
Noncontributory System	\$ 1,474,905	N/A
Public Safety System	626,249	-
Firefighters System	13,637	56,853
Tier 2 Public Employee System	987,017	-
Tier 2 Public Safety and Firefighter	474,246	53,720
Tier 2 DC Only System	80,827	N/A
Tier 2 DC Public Safety and Firefighter System	7,794	N/A
Total	\$ 3,664,675	\$ 110,573

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.

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, we reported a net pension asset of **\$138,909** and a net pension liability of **\$3,479,884**.

	(Measurement Date): December 31, 2022				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2021	Change (Decrease)
Noncontributory System	\$ -	\$ 1,563,801	0.9130355%	0.9460733%	-0.0330378%
Public Safety System	-	1,603,424	1.2400088%	1.3730090%	-0.1330002%
Firefighters System	138,909	-	0.5348745%	0.0000000%	0.5348745%
Tier 2 Public Employees System	-	271,607	0.2494337%	0.2489546%	0.0004791%
Tier 2 Public Safety and Fire Fighter System	-	41,052	0.4920880%	0.3804200%	0.1116680%
	<u>\$ 138,909</u>	<u>\$ 3,479,884</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. We recognized a pension expense of **\$1,923,571**.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 673,570	\$ 25,100
Changes in assumptions	430,696	11,047
Net difference between projected and actual earnings on pension plan investments	1,592,407	-
Changes in proportion and differences between contributions and proportionate share of contributions	130,627	239,215
Contributions subsequent to the measurement date	1,802,639	-
Total	<u>\$ 4,629,939</u>	<u>\$ 275,362</u>

\$1,802,639 was reported as deferred outflows of resources related to pension results from contributions made by us prior to our 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:

<u>Year Ended December 31,</u>	<u>Deferred Outflows (inflows) of Resources</u>
2023	\$ (537,665)
2024	(9,416)
2025	622,938
2026	2,336,916
2027	26,435
Thereafter	112,720

Actuarial assumptions: The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

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

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2022, valuation were based on an experience study of the demographic assumptions as 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. 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 table on the following page:

Asset Class	Expected Return Arithmetic Basis		
	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 6.95 percent. 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. The discount rate was reduced to 6.85 percent from 6.95 percent from the prior measurement period.

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 calculated using the discount rate of 6.85 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85 percent) or 1-percentage-point higher (7.85 percent) than the current rate:

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 9,855,595	\$ 1,563,801	\$ (5,364,430)
Public Safety System	5,163,836	1,603,424	(1,292,030)
Firefighters System	110,713	(138,909)	(341,485)
Tier 2 Public Employee System	1,186,773	271,607	(433,413)
Tier 2 Public Safety and Firefighter	328,611	41,052	(187,488)
Total	\$ 16,645,528	\$ 3,340,975	\$ (7,618,846)

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 Plan

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.

Spanish Fork City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

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

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

	2023	2022	2021
401 (k) Plan			
Employer Contributions	\$ 166,515	\$ 159,688	\$ 132,249
Employee Contributions	\$ 106,521	\$ 86,924	\$ 88,335
457 Plan			
Employer Contributions	\$ -	\$ 120	\$ -
Employee Contributions	\$ 49,520	\$ 56,890	\$ 15,679
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 95,866	\$ 79,429	\$ 73,303
Traditional IRA			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 675	\$ 650	\$ 650

4. G. SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of the audit report, which is the date that the financial statements were available to be issued.

4.H. PRIOR PERIOD ADJUSTMENT

In Fiscal Year 2022 land owned by the Sewer fund was sold. The proceeds from the sale of this land were recognized in Fiscal Year 2022. However, the land was not removed from the list of capital assets. This caused the Sewer fund to overstate its amount of capital assets and net position at the end of Fiscal Year 2022. A prior period adjustment was made in Fiscal Year 2023 in the amount of \$1,802,270.

REQUIRED SUPPLEMENTARY INFORMATION

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Changes in Assumptions Related to Pensions

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

**Spanish Fork City
Schedule of the Proportionate
Share of the Net Pension Liability
For the Year Ended June 30, 2023**

		Noncontributory System	Public Safety System	Firefighters System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Proportion of the net pension liability (asset)	2015	0.7580962%	1.0812842%	0.0000000%	0.1617363%	0.2023030%
	2016	0.7778810%	1.1538440%	0.0000000%	0.0171388%	0.2509637%
	2017	0.8043046%	1.1807616%	0.0000000%	0.1880264%	0.2378124%
	2018	0.8335616%	1.1948197%	0.0000000%	0.2198402%	0.3462816%
	2019	0.8594345%	1.2131674%	0.0000000%	0.2348667%	0.3575857%
	2020	0.9010549%	1.2407853%	0.0000000%	0.2333133%	0.3713927%
	2021	0.9136654%	1.2714446%	0.0000000%	0.2276754%	0.3466855%
	2022	0.9460733%	1.3730090%	0.0000000%	0.2489546%	0.3804200%
	2023	0.9310355%	1.2400088%	0.5348745%	0.2494337%	0.4920880%
Proportionate share of the net pension liability (asset)	2015	\$ 3,291,832	\$ 1,359,805	\$ -	\$ (4,901)	\$ (2,993)
	2016	4,401,629	2,066,825	-	(374)	(3,667)
	2017	5,164,320	2,396,091	-	20,974	(2,064)
	2018	3,652,083	1,874,264	-	19,383	(4,007)
	2019	6,328,638	3,120,976	-	100,588	8,960
	2020	3,395,958	1,992,227	-	52,474	34,935
	2021	468,658	1,055,606	-	32,746	31,096
	2022	(5,418,263)	(1,115,079)	-	(105,367)	(19,227)
	2023	1,563,801	1,603,424	(138,909)	271,607	41,052
Covered Employee Payroll	2015	\$ 6,433,835	\$ 1,579,886	\$ -	\$ 794,624	\$ 83,973
	2016	6,571,249	1,692,697	-	1,107,243	149,361
	2017	6,903,588	1,743,639	-	1,541,963	196,486
	2018	6,977,545	1,739,944	-	2,151,729	365,405
	2019	7,117,204	1,738,220	-	2,740,105	478,878
	2020	7,529,229	1,786,492	-	3,242,984	612,125
	2021	7,624,883	1,859,082	-	3,639,537	691,530
	2022	7,735,486	1,963,915	-	4,617,354	909,734
	2023	7,672,682	1,763,603	209,339	5,429,774	1,514,046
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2015	51.20%	86.10%	0.00%	-0.60%	-3.60%
	2016	66.98%	122.10%	0.00%	-0.03%	-0.25%
	2017	74.81%	137.40%	0.00%	1.36%	-1.05%
	2018	52.34%	107.70%	0.00%	0.90%	-1.10%
	2019	88.92%	179.55%	0.00%	3.67%	1.87%
	2020	45.10%	111.52%	0.00%	1.62%	5.71%
	2021	6.15%	56.78%	0.00%	0.90%	4.50%
	2022	-70.04%	-56.78%	0.00%	-2.28%	-2.11%
	2023	20.38%	90.92%	-66.36%	5.00%	2.71%
Plan fiduciary net position as a percentage of the total pension liability.	2015	90.20%	90.50%	0.00%	103.50%	120.50%
	2016	87.80%	87.10%	0.00%	100.20%	110.70%
	2017	87.30%	86.50%	0.00%	95.10%	103.60%
	2018	91.90%	90.20%	0.00%	97.40%	103.00%
	2019	87.00%	84.70%	0.00%	90.80%	95.60%
	2020	93.70%	90.90%	0.00%	96.50%	89.60%
	2021	99.20%	95.50%	0.00%	98.30%	93.10%
	2022	108.70%	104.20%	0.00%	103.80%	102.80%
	2023	97.50%	93.60%	108.40%	92.30%	96.40%

* In accordance with paragraph 81 of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10 year schedule will need to be built prospectively. The Schedule is only for the last nine years.

Spanish Fork City
Schedule of Contributions (Pensions)
For the Year Ended June 30, 2023

	As of Fiscal year ended June 30	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered Employee Payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2015	\$ 1,188,850	\$ 1,188,850	\$ -	\$ 6,490,086	18.32%
	2016	1,232,880	1,232,880	-	6,738,212	18.30%
	2017	1,274,437	1,274,437	-	6,972,376	18.28%
	2018	1,279,367	1,279,367	-	7,022,987	18.22%
	2019	1,327,797	1,327,797	-	7,287,792	18.22%
	2020	1,400,290	1,400,290	-	7,685,572	18.22%
	2021	1,365,598	1,365,598	-	7,491,820	18.23%
	2022	1,354,197	1,354,197	-	7,419,852	18.25%
	2023	1,474,905	1,474,905	-	8,278,568	17.82%
Public Safety System	2015	\$ 559,347	\$ 559,347	\$ -	\$ 1,647,057	33.96%
	2016	585,803	585,803	-	1,723,555	33.99%
	2017	595,387	595,387	-	1,749,030	34.04%
	2018	588,532	588,532	-	1,729,410	34.03%
	2019	594,209	594,209	-	1,745,620	34.04%
	2020	632,123	632,123	-	1,857,002	34.04%
	2021	632,285	632,285	-	1,857,477	34.04%
	2022	620,300	620,300	-	1,822,268	34.04%
	2023	626,249	626,249	-	1,839,745	34.04%
Firefighters System	2020	\$ -	\$ -	\$ -	-	0.00%
	2021	-	-	-	-	0.00%
	2022	1,393	1,393	-	30,206	4.61%
	2023	13,637	13,637	-	377,763	3.61%
Tier 2 Public Employees System*	2015	\$ 151,634	\$ 151,634	\$ -	\$ 1,024,321	14.80%
	2016	189,010	189,010	-	1,276,697	14.80%
	2017	281,807	281,807	-	1,890,051	14.91%
	2018	362,112	362,112	-	2,398,374	15.10%
	2019	477,206	477,206	-	3,070,823	15.54%
	2020	531,875	531,875	-	3,396,388	15.66%
	2021	628,250	628,250	-	3,976,266	15.80%
	2022	785,646	785,646	-	4,888,897	16.07%
	2023	987,017	987,017	-	6,164,999	16.01%
Tier 2 Public Safety and Firefighter System*	2015	\$ 28,463	\$ 28,463	\$ -	\$ 126,220	22.55%
	2016	38,350	38,350	-	170,444	22.50%
	2017	59,687	59,687	-	265,276	22.50%
	2018	100,657	100,657	-	446,619	22.54%
	2019	121,965	121,965	-	528,216	23.09%
	2020	156,014	156,014	-	674,507	23.13%
	2021	194,953	194,953	-	754,755	25.83%
	2022	273,746	273,746	-	1,059,803	25.83%
	2023	474,246	474,246	-	2,076,110	22.84%
Tier 2 Public Employees DC Only System*	2015	\$ -	\$ -	\$ -	\$ -	0.00%
	2016	4,560	4,560	-	68,155	6.69%
	2017	10,751	10,751	-	160,707	6.69%
	2018	21,094	21,094	-	315,310	6.69%
	2019	30,671	30,671	-	458,457	6.69%
	2020	45,442	45,442	-	679,245	6.69%
	2021	50,544	50,544	-	755,521	6.69%
	2022	71,551	71,551	-	1,068,214	6.70%
	2023	80,827	80,827	-	1,305,772	6.19%
Tier 2 Public Safety and Firefighter DC Only System*	2019	-	-	-	-	0.00%
	2020	-	-	-	-	0.00%
	2021	4,942	4,942	-	41,776	11.83%
	2022	5,934	5,934	-	50,160	11.83%
	2023	7,794	7,794	-	65,884	11.83%

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

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the past nine years.

Contributions as a percentage of covered-payroll may be different that the board certified rate due to rounding and other administrative issues.

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SUPPLEMENTARY INFORMATION

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Spanish Fork City
Combining Balance Sheet
Non-Major Governmental Funds
As of June 30, 2023

	Special Revenue		Debt Service		Capital Projects			Total
	RAP Tax Fund	RDA Fund	Debt Service Fund	River Reclamation Fund	Golf Course Impr. Fund	Recreation Center Fund	Non-major Governmental Funds	
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 153,038	\$ -	\$ 4,461,377	\$ 4,614,415	
Restricted Assets:								
Cash and cash equivalents	2,217,122	3,411,416	495,712	-	-	-	6,124,250	
Total assets	2,217,122	3,411,416	495,712	153,038	-	4,461,377	10,738,665	
LIABILITIES								
Accounts payable	-	1,500	-	-	-	-	1,500	
Total liabilities	-	1,500	-	-	-	-	1,500	
DEFERRED INFLOWS OF RESOURCES								
Deferred property tax revenues								
Total deferred inflows of resources								
FUND BALANCES								
Restricted for:							-	
Capital projects								
RAP programs	2,217,122	-	-	-	-	-	2,217,122	
Redevelopment	-	3,409,916	-	-	-	-	3,409,916	
Debt service	-	-	495,712	-	-	-	495,712	
Committed for:								
Capital projects	-	-	-	153,038	-	4,461,377	4,614,415	
Total fund balances	2,217,122	3,409,916	495,712	153,038	-	4,461,377	10,737,165	
Total liabilities and fund balance	\$ 2,217,122	\$ 3,411,416	\$ 495,712	\$ 153,038	\$ -	\$ 4,461,377	\$ 10,738,665	

Spanish Fork City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue		Debt Service		Capital Projects			Total
	RAP Tax Fund	RDA Fund	Debt Service Fund	River Reclamation Fund	Golf Course Improvements Fund	Recreation Center Fund	Non-major Governmental Funds	
REVENUES:								
Taxes	\$ 1,197,121	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,197,121	
Sundry revenues	-	118,599	797,497	134,791	-	-	1,050,887	
Intergovernmental	-	-	-	-	-	50,000	50,000	
Interest income	69,871	121,743	29,255	-	-	-	220,869	
Total revenues	<u>1,266,992</u>	<u>240,342</u>	<u>826,752</u>	<u>134,791</u>	<u>-</u>	<u>50,000</u>	<u>2,518,877</u>	
EXPENDITURES:								
Current Expenditures:								
Professional Services	-	460,749	-	-	-	-	460,749	
RAP Programs	453,792	-	-	-	-	-	453,792	
RDA Programs	-	1,105	-	-	-	-	1,105	
Debt service:								
Principal retirement	-	-	1,514,231	-	-	-	1,514,231	
Interest and fiscal charges	-	-	375,054	-	-	-	375,054	
Capital outlay	-	-	-	-	168,884	1,130,702	1,299,586	
Total expenditures	<u>453,792</u>	<u>461,854</u>	<u>1,889,285</u>	<u>-</u>	<u>168,884</u>	<u>1,130,702</u>	<u>4,104,517</u>	
Excess of revenues over (under) expenditures	813,200	(221,512)	(1,062,533)	134,791	(168,884)	(1,080,702)	(1,585,640)	
Other financing sources (uses):								
Transfers In	-	448,657	1,092,689	-	57,548	6,542,079	8,140,973	
Transfers (Out)	-	-	-	-	-	(1,000,000)	(1,000,000)	
Total other financing sources (uses)	<u>-</u>	<u>448,657</u>	<u>1,092,689</u>	<u>-</u>	<u>57,548</u>	<u>5,542,079</u>	<u>7,140,973</u>	
Excess of revenues and other sources over (under) expenditures and other uses	813,200	227,145	30,156	134,791	(111,336)	4,461,377	5,555,333	
Fund balances - beginning of year	1,403,922	3,182,771	465,556	18,247	111,336	-	5,181,832	
Fund balances - end of year	<u>\$ 2,217,122</u>	<u>\$ 3,409,916</u>	<u>\$ 495,712</u>	<u>\$ 153,038</u>	<u>\$ -</u>	<u>\$ 4,461,377</u>	<u>\$ 10,737,165</u>	

Spanish Fork City
Combining Statement of Net Position
Non-Major Proprietary Funds
As of June 30, 2023

	Business-Type Activities - Enterprise Funds			
	Airport Fund	Garbage Fund	Gun Club Fund	Total Other Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 326,679	\$ 1,438,162	\$ 74,607	\$ 1,839,448
Accounts receivable	-	290,927	-	290,927
Allowance for doubtful accounts	-	(1,730)	-	(1,730)
Inventory	-	-	21,026	21,026
Total current assets	<u>326,679</u>	<u>1,727,359</u>	<u>95,633</u>	<u>2,149,671</u>
Noncurrent assets:				
Net pension asset	-	737	25	762
Capital Assets:				
Land	2,636,873	217,903	-	2,854,776
Buildings	-	163,563	28,116	191,679
Improvements	15,576,531	37,378	95,473	15,709,382
Equipment	46,738	1,352,582	84,120	1,483,440
Less: accumulated depreciation	(5,964,832)	(1,422,363)	(164,815)	(7,552,010)
Other Assets:				
Equity in joint venture	-	2,694,079	-	2,694,079
Total noncurrent assets	<u>12,295,310</u>	<u>3,043,879</u>	<u>42,919</u>	<u>15,382,108</u>
Total assets	<u>12,621,989</u>	<u>4,771,238</u>	<u>138,552</u>	<u>17,531,779</u>
Deferred outflows of resources due to pensions	<u>13,052</u>	<u>24,548</u>	<u>848</u>	<u>38,448</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>12,635,041</u>	<u>4,795,786</u>	<u>139,400</u>	<u>17,570,227</u>
LIABILITIES				
Current liabilities:				
Accrued Liabilities	4,756	5,915	5,627	16,298
Accounts payable	369,905	151,493	1,412	522,810
Compensated absences	14,423	27,129	936	42,488
Total current liabilities	<u>389,084</u>	<u>184,537</u>	<u>7,975</u>	<u>581,596</u>
Noncurrent liabilities:				
Net pension liability	9,417	18,451	636	28,504
Total noncurrent liabilities	<u>9,417</u>	<u>18,451</u>	<u>636</u>	<u>28,504</u>
Total liabilities	<u>398,501</u>	<u>202,988</u>	<u>8,611</u>	<u>610,100</u>
Deferred inflows of resources due to pensions	<u>776</u>	<u>1,460</u>	<u>50</u>	<u>2,286</u>
Net Position				
Net investment in capital assets	12,295,310	349,063	42,894	12,687,267
Unrestricted	<u>(59,546)</u>	<u>4,242,275</u>	<u>87,845</u>	<u>4,270,574</u>
Total Net Position	<u>\$ 12,235,764</u>	<u>\$ 4,591,338</u>	<u>\$ 130,739</u>	<u>\$ 16,957,841</u>

Spanish Fork City
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds			
	Airport Fund	Garbage Fund	Gun Club Fund	Total Other Funds
Operating revenues:				
Charges for sales and services	\$ 286,186	\$ 3,158,204	\$ 256,712	\$ 3,701,102
Other income	119,563	-	5,741	125,304
Total operating revenues	<u>405,749</u>	<u>3,158,204</u>	<u>262,453</u>	<u>3,826,406</u>
Operating expenses:				
Landfill fees	-	2,330,116	-	2,330,116
Employee salaries	168,475	245,908	102,842	517,225
Materials and supplies	6,179	215,884	138,089	360,152
Repairs and maintenance	15,297	478	14,251	30,026
Professional services	198,334	175,587	33,940	407,861
Motorpool charges	30,958	12,957	5,833	49,748
Utilities and Rent	14,071	22,150	14,891	51,112
Insurance	8,977	4,264	1,033	14,274
Depreciation	311,788	40,245	3,287	355,320
Indirect services	42,632	193,169	-	235,801
Sundry charges	6,590	84,601	-	91,191
Total operating expenses	<u>803,301</u>	<u>3,325,359</u>	<u>314,166</u>	<u>4,442,826</u>
Operating income	<u>(397,552)</u>	<u>(167,155)</u>	<u>(51,713)</u>	<u>(616,420)</u>
Nonoperating revenues (expenses):				
Interest revenue	10,135	48,768	2,303	61,206
Grant Proceeds	215,699	-	-	215,699
Pension benefit expense	8,416	20,850	739	30,005
Pension expense	(5,422)	(10,199)	(351)	(15,972)
Interest Expense				
Total nonoperating revenues (expenses)	<u>228,828</u>	<u>394,531</u>	<u>2,691</u>	<u>626,050</u>
Income (loss) before operating transfers	<u>(168,724)</u>	<u>227,376</u>	<u>(49,022)</u>	<u>9,630</u>
Operating transfers:				
Operating transfers in/(out)	105,000	(25,000)	-	80,000
Total operating transfers	<u>105,000</u>	<u>(25,000)</u>	<u>-</u>	<u>80,000</u>
Change in Net Position	(63,724)	202,376	(49,022)	89,630
Total Net Position - beginning	12,299,488	4,388,962	179,761	16,868,211
Total Net Position - ending	<u>\$ 12,235,764</u>	<u>\$ 4,591,338</u>	<u>\$ 130,739</u>	<u>\$ 16,957,841</u>

Spanish Fork City
Combining Statement Cash Flows
Non-Major Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds			
	Airport Fund	Garbage Fund	Gun Club Fund	Total Non-Major Funds
Cash Flows From Operating Activities				
Receipts from customers	\$ 345,186	\$ 3,143,428	\$ 314,596	\$ 3,803,210
Other cash receipts	119,563	-	5,741	125,304
Payments to suppliers	34,939	(2,882,743)	(214,156)	(3,061,960)
Payments to employees	(154,597)	(239,899)	(102,712)	(497,208)
Net cash provided (used) by operating activities	345,091	20,786	3,469	369,346
Cash Flows From Noncapital Financing Activities				
Transfers in (out)	105,000	(25,000)	-	80,000
Net cash provided (used) by noncapital activities	105,000	(25,000)	-	80,000
Cash Flows From Capital and Related Financing Activities				
Purchases of capital assets	(737,978)	-	-	(737,978)
Grant Proceeds	215,699			215,699
Net cash provided (used) by capital and related financing activities	(522,279)	-	-	(522,279)
Cash Flows From Investing Activities				
Interest and dividends received	10,135	48,768	2,303	61,206
Net cash provided (used) by investing activities	10,135	48,768	2,303	61,206
Net increase (decrease) in cash and cash equivalents	(62,053)	44,554	5,772	(11,727)
Cash balance, beginning	388,732	1,393,608	68,835	1,851,175
Cash balance, ending	<u>326,679</u>	<u>1,438,162</u>	<u>74,607</u>	<u>1,839,448</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	(397,552)	(167,155)	(51,713)	(616,420)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	311,788	40,245	3,287	355,320
(Increase) decrease in accounts receivable	59,000	(14,776)	57,884	102,108
(Increase) decrease in inventory	-	-	20,228	20,228
Increase (decrease) in accrued liabilities	357,977	156,463	(26,347)	488,093
(Increase) decrease in compensated absences	13,878	6,009	130	20,017
Total adjustments	742,643	187,941	55,182	985,766
Net cash provided (used) by operating activities	<u>\$ 345,091</u>	<u>\$ 20,786</u>	<u>\$ 3,469</u>	<u>\$ 369,346</u>

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OTHER REPORTS

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**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**

The Honorable Mayor, and
Members of the City Council
Spanish Fork City, Utah

We have audited, in accordance with the 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 governmental activities of Spanish Fork City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Spanish Fork City's basic financial statements, and have issued our report thereon dated November 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Spanish Fork City'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Spanish Fork City's internal control. Accordingly, we do not express an opinion on the effectiveness of Spanish Fork City'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Spanish Fork City'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 determination of financial statement amounts. 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.

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 is not suitable for any other purpose.

LARSON & COMPANY, PC

Larson & Company, PC

Spanish Fork, Utah
November 20, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE

The Honorable Mayor, and
Member of the City Council
Spanish Fork City, Utah

Report on Compliance with General State Compliance Requirements

We have audited Spanish Fork City's compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2023

State compliance requirements were tested for the year ended June 30, 2023 in the following areas:

Budgetary Compliance	Fund Balance
Restricted Taxes and Related Revenues	Fraud Risk Assessment
Government Fees	

Opinion on Compliance

In our opinion, Spanish Fork City complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2023.

Basis for Opinion

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

We are required to be independent of Spanish Fork City and to meet our other ethical responsibilities, in accordance with 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 opinion. Our audit does not provide a legal determination of District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Spanish Fork City's government programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City's compliance based on our audit. 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, Government Auditing Standards, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Spanish Fork City's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Spanish Fork City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Spanish Fork City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Compliance Audit Guide but not for the purpose of expressing an opinion on the effectiveness of Spanish Fork City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report On Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

LARSON & COMPANY, PC

Larson & Company, PC

Spanish Fork, Utah
November 20, 2023



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Honorable Mayor, and
Member of the City Council
Spanish Fork City, Utah

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Spanish Fork City's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Spanish Fork City's major federal programs for the year ended June 30, 2023. Spanish Fork City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Spanish Fork City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Spanish Fork City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Spanish Fork City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Spanish Fork City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Spanish Fork City's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Spanish Fork City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Spanish Fork City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Spanish Fork City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Spanish Fork City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

LARSON & COMPANY, PC

Larson & Company, PC

Spanish Fork, Utah
November 20, 2023

SPANISH FORK CITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of Spanish Fork City.
2. No reportable conditions related to the audit of the financial statements are reported in the Auditors' Report on Internal Controls and Compliance with Laws and Regulations.
3. No instances of noncompliance material to the financial statements of Spanish Fork City were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award program is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with Uniform Guidance.
5. The independent auditor's report on compliance for the major federal award programs for Spanish Fork City, expresses an unqualified opinion.
6. The audit disclosed no audit findings that are required to be reported under 2 CFR section 200.516(a).
7. The program(s) tested as a major program include:

ARPA Grant	21.027
------------	--------
8. The threshold for distinguishing Types A and B programs is \$750,000 of federal awards expended.
9. Spanish Fork City was determined not to be a low-risk auditee.

SPANISH FORK CITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

FINANCIAL STATEMENT FINDINGS

No findings noted during current audit.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during current audit.

SUMMARY OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS

No findings noted during prior audit.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during prior audit.

SPANISH FORK CITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Grantor/Pass-Thru Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Contract	Amount of Expenditures
Direct Assistance:			
Environmental Protection Agency Brownfield Assessment Grant	66.818	N/A	\$ 226,856
Total Environmental Protection Agency			\$ 226,856
U.S. Department of the Treasury * ARPA Grant	21.027	N/A	\$ 4,842,079
Total U.S Department of the Treasury			\$ 4,842,079
Total Direct Assistance:			\$ 5,068,935
Indirect Assistance:			
U.S Department of Justice (DOJ) Passed through State of Utah Bulletproof Vest Partnership Program	16.607		\$ 4,365
U.S Department of Justice (DOJ) Passed through State of Utah Victims of Crime Act Grant	16.575	N/A	\$ 40,977
Total U.S. Department of Justice			\$ 45,342
U.S. Department of Transportation: Passed through State of Utah Airport Improvement Program - FAA	20.106	N/A	\$ 227,302
Total Department of Transportation			\$ 227,302
U.S. Department of Homeland Security Passed through State of Utah Emergency Management Performance Grant	97.042	N/A	\$ 21,000
U.S. Department of Homeland Security			\$ 21,000
National Endowment for the Arts & Humanities Passed through State of Utah Specialty Item Grant	45.310	N/A	\$ 6,100
National Endowment for the Arts & Humanities Passed through State of Utah Spanish Language Material Grant	45.310	N/A	\$ 1,455
Total National Endowment for the Arts & Humanities			\$ 7,555
U.S. Department of the Treasury Passed through Utah County * ARPA Grant-Water Tank	21.027	230630572	\$ 1,000,000
U.S. Department of the Treasury Passed through Utah County * ARPA Grant-Wastewater Treatment Plant	21.027	N/A	\$ 4,000,000
Total US Department of the Treasury			\$ 5,000,000
Total Indirect Assistance			\$ 5,301,200
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 10,370,135
* Major Program			

SPANISH FORK CITY

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

1. GENERAL

The accompanying schedule of expenditures of federal awards (the schedule) includes the grant activity of Spanish Fork City (the City) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The City reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards. Because the schedule presents only a selected portion of the operations of Spanish Fork City it is not intended to and does not present the financial position, changes in net position, or cash flows of Spanish Fork City.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for expenditures in governmental fund types and on the accrual basis for expenses in proprietary fund types, which is described in Note 1 to the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

3. NON-CASH ASSISTANCE

The City did not receive any non-cash assistance

4. LOANS OUTSTANDING

The City has no federal loans outstanding through as of June 30, 2023.

5. DE MINIMIS INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate.

APPENDIX B

THE GENERAL INDENTURE OF TRUST

Reference is made to the Indenture, for full details of all of the terms of the 2024A Bonds, the security provisions appertaining thereto, and the definition of any terms used but not defined in this OFFICIAL STATEMENT.

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GENERAL INDENTURE OF TRUST

Dated as of August 1, 2020

between

SPANISH FORK CITY, UTAH

and

ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
as Trustee

Relating to

SPANISH FORK CITY, UTAH

SEWER REVENUE BONDS

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THIS GENERAL INDENTURE OF TRUST, dated as of August 1, 2020, by and between SPANISH FORK CITY, UTAH (the “Issuer”), a political subdivision and body politic duly organized and existing under the Constitution and laws of the State of Utah, and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, authorized by law to accept and execute trusts and having its corporate trust office in Salt Lake City, Utah, as trustee (the “Trustee”),

WITNESSETH:

WHEREAS, the Issuer desires to finance improvements to its existing sewer treatment and collection system, as further described herein (the “System”), including, but not limited to additions, extensions, buildings and other improvements to house and operate said facilities, to refund and retire existing obligations, to fund debt service reserves, and to pay issuance expenses to be incurred in connection with the issuance and sale of the Bonds herein authorized and defined; and

WHEREAS, the Issuer anticipates that the Revenues, after payment of Operation and Maintenance Expenses (the “Net Revenues”) will be sufficient to pay debt service on the Bonds issued hereunder; and

WHEREAS, the Net Revenues will not be pledged or hypothecated in any manner or for any purpose at the time of the issuance of the Initial Bonds (as herein defined) and the Issuer desires to pledge said Net Revenues toward the payment of the Principal and interest on said Bonds; and;

WHEREAS, pursuant to the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended, and/or the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code Annotated 1953, as amended (collectively, the “Act”), the Issuer is authorized to issue its bonds payable from a special fund into which the Net Revenues of the Issuer may be pledged.

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

For and in consideration of the premises, the mutual covenants of the Issuer and the Trustee, the purchase from time to time of the Bonds by the Registered Owners thereof, the issuance by the Security Instrument Issuers from time to time of Security Instruments and the issuance by Reserve Instrument Providers from time to time of Reserve Instruments, and in order to secure the payment of the Principal of and premium, if any, and interest on the Bonds, of all Security Instrument Repayment Obligations according to their tenor and effect and of all Reserve Instrument Repayment Obligations according to their tenor and effect and the performance and observance by the Issuer of all the covenants expressed or implied herein, in the Bonds, in all Security Instrument Agreements and in all Reserve Instrument Agreements, the Issuer does hereby convey, assign and pledge unto the Trustee and unto its successors in trust forever all right, title and interest of the Issuer in and to (i) the Net Revenues, (ii) all moneys in funds and accounts held by the Trustee hereunder (except the Rebate Fund), and (iii) all other rights hereinafter granted, first, for the further securing of the Bonds and all Security Instrument Repayment Obligations, and second, for the further security of all Reserve Instrument Repayment Obligations, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture and any Supplemental Indenture;

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby and hereafter conveyed and assigned, or agreed or intended so to be, to the Trustee and its respective successors and assigns in such trust forever;

IN TRUST NEVERTHELESS, upon the terms and trust set forth in this Indenture, FIRST, for the equal and proportionate benefit, security and protection of all Registered Owners of the Bonds issued pursuant to and secured by this Indenture and all Security Instrument Issuers without privilege, priority or distinction as to the lien or otherwise of any Bond or Security Instrument Repayment Obligation over any other by reason of time of issuance, sale, delivery, maturity or expiration thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Indenture; and SECOND, for the equal and proportionate benefit, security and protection of all Reserve Instrument Providers, without privilege, priority or distinction as to the lien or otherwise of any Reserve Instrument Repayment Obligation over any of the others by reason of time of issuance, delivery or expiration thereof or otherwise for any cause whatsoever;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, the Principal and premium, if any, on the Bonds and the interest due or to become due thereon, at the times and in the manner mentioned in the Bonds, all Security Instrument Repayment Obligations, according to the true intent and meaning thereof and all Reserve Instrument Repayment Obligations, according to the true intent and meaning thereof, or shall provide, as permitted by this Indenture, for the payment thereof as provided in Article X hereof, and shall pay or cause to be paid to the Trustee all

sums of money due or to become due to it in accordance with the terms and provisions of this Indenture, then upon such final payments or provisions for such payments by the Issuer, this Indenture, and the rights hereby granted, shall terminate; otherwise this Indenture shall remain in full force and effect.

The terms and conditions upon which the Bonds are to be executed, authenticated, delivered, secured and accepted by all persons who from time to time shall be or become Registered Owners thereof, and the trusts and conditions upon which the Net Revenues are to be held and disposed, which said trusts and conditions the Trustee hereby accepts, are as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. As used in this Indenture, the following terms shall have the following meanings unless the context otherwise clearly indicates:

“Accreted Amount” means, with respect to Capital Appreciation Bonds of any Series and as of the date of calculation, the amount representing the initial public offering price, plus the accumulated and compounded interest on such Bonds, as established pursuant to the Supplemental Indenture authorizing such Capital Appreciation Bonds.

“Acquisition/Construction Fund” means the Spanish Fork City, Utah, Sewer Revenue Acquisition/Construction Fund created in Section 3.1 hereof to be held by the Trustee and administered pursuant to Section 5.1 hereof.

“Act” means the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended and the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code Annotated 1953, as amended, each to the extent applicable.

“Additional Bonds” means all Bonds issued under this Indenture other than the Initial Bonds.

“Administrative Costs” means all Security Instrument Costs, Reserve Instrument Costs and Rebtable Arbitrage.

“Aggregate Annual Debt Service Requirement” means the total Debt Service (including any Repayment Obligations) for any one Bond Fund Year (or other specific period) on all Series of Bonds Outstanding or any specified portion thereof.

“Authorized Amount” means, with respect to a Commercial Paper Program, the maximum Principal amount of commercial paper which is then authorized by the Issuer to be outstanding at any one time pursuant to such Commercial Paper Program.

“Authorized Representatives” means the [Mayor, City Recorder, City Manager, Finance Director, Treasurer] or any other officer of the Issuer so designated in writing by an Authorized Representative of the Issuer to the Trustee.

“Average Aggregate Annual Debt Service Requirement” means the total of all Aggregate Annual Debt Service Requirements divided by the total Bond Fund Years of the Bonds Outstanding or any specified portion thereof.

“Balloon Bonds” means, unless otherwise provided in the related Supplemental Indenture, Bonds (and/or Security Instrument Repayment Obligations relating thereto), other than Bonds which mature within one year of the date of issuance thereof, 25% or more of the Principal Installments on which (a) are due or, (b) at the option of the Owner thereof may be redeemed, during any period of twelve consecutive months; provided, however, that to constitute Balloon Bonds, the Issuer must so designate such Bonds.

“Bond Fund” means the Spanish Fork City, Utah, Sewer Revenue Bond Fund created in Section 3.3 hereof to be held by the Trustee and administered pursuant to Section 5.3 hereof.

“Bond Fund Year” means the 12-month period beginning July 1 of each year and ending on the next succeeding June 30, except that the first Bond Fund Year shall begin on the date of delivery of the Initial Bonds and shall end on the next succeeding June 30.

“Bondholder,” “Bondowner,” “Registered Owner” or “Owner” means the registered owner of any Bonds herein authorized according to the registration books of the Issuer maintained by the Trustee as Registrar.

“Bonds” means bonds, notes, commercial paper or other obligations (other than Repayment Obligations) authorized by and at any time Outstanding pursuant to this Indenture, including the Initial Bonds and any Additional Bonds.

“Business Day” means any day (i) (a) on which banking business is transacted, but not including any day on which banks are authorized to be closed in New York City or in the city in which the Trustee has its Corporate Trust Office or, with respect to a related Series of Bonds, in the city in which any Security Instrument Issuer has its principal office for purposes of such Security Instrument and (b) on which the New York Stock Exchange is open, or (ii) as otherwise provided in a Supplemental Indenture.

“Capital Appreciation Bonds” means Bonds the interest on which (i) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such Bonds and designating them as Capital Appreciation Bonds, and (ii) is payable upon maturity or prior redemption of such Bonds.

“City Recorder” means the City Recorder of the Issuer and any deputy to the City Recorder or any successor to the duties of such office.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commercial Paper Program” means commercial paper obligations with maturities of not more than two hundred seventy (270) days from the dates of issuance thereof which are issued and reissued by the Issuer from time to time pursuant to Article II hereof and are outstanding up to an Authorized Amount.

“Corporate Trust Office” means the designated corporate trust office of the Trustee at which, at any particular time, its corporate trust business shall be administered, which at the date of execution of this Indenture is that specified in Section 11.4.

“Cost” or “Costs” or “Cost of Completion,” or any phrase of similar import, in connection with a Project or with the refunding of any bonds, means all costs and expenses which are properly chargeable thereto under generally accepted accounting principles or which are incidental to the financing, acquisition and construction of a Project, or the refunding of any bonds, including, without limiting the generality of the foregoing:

- (a) amounts payable to contractors and costs incident to the award of contracts;
- (b) cost of labor, facilities and services furnished by the Issuer and its employees or others, materials and supplies purchased by the Issuer or others and permits and licenses obtained by the Issuer or others;
- (c) engineering, architectural, legal, planning, underwriting, accounting and other professional and advisory fees;
- (d) premiums for contract bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;
- (e) interest expenses, including interest on the Series of Bonds relating to a Project, as permitted under the Act;
- (f) printing, engraving and other expenses of financing, fees of financial rating services and costs of issuing the Series of Bonds (including costs of interest rate caps and costs related to Interest Rate Swaps (or the elimination thereof));
- (g) costs, fees and expenses in connection with the acquisition of real and personal property or rights therein, including premiums for title insurance;
- (h) costs of furniture, fixtures, and equipment purchased by the Issuer and necessary to construct a Project;
- (i) amounts required to repay temporary or bond anticipation loans or notes made to finance the costs of a Project;

(j) cost of site improvements performed by the Issuer in anticipation of a Project;

(k) moneys necessary to fund the funds created under this Indenture;

(l) costs of the capitalization with proceeds of a Series of Bonds issued hereunder of any operation and maintenance expenses and other working capital appertaining to any facilities to be acquired for a Project and of any interest on a Series of Bonds for any period not exceeding the period estimated by the Issuer to effect the construction of a Project plus one year, as herein provided, of any discount on bonds or other securities, and of any reserves for the payment of the Principal of and interest on a Series of Bonds, of any replacement expenses and of any other cost of issuance of a Series of Bonds or other securities, Security Instrument Costs and Reserve Instrument Costs;

(m) costs of amending any indenture or other instrument authorizing the issuance of or otherwise appertaining to a Series of Bonds;

(n) all other expenses necessary or desirable and appertaining to a Project, as estimated or otherwise ascertained by the Issuer, including costs of contingencies for a Project; and

(o) payment to the Issuer of such amounts, if any, as shall be necessary to reimburse the Issuer in full for advances and payments theretofore made or costs theretofore incurred by the Issuer for any item of Costs.

In the case of refunding or redeeming any bonds or other obligations, “Cost” includes, without limiting the generality of the foregoing, the items listed in (c), (e), (f), (i), (k), (l), (m) and (o) above, advertising and other expenses related to the redemption of such bonds to be redeemed and the redemption price of such bonds (and the accrued interest payable on redemption to the extent not otherwise provided for).

“Cross-over Date” means with respect to Cross-over Refunding Bonds the date on which the Principal portion of the related Cross-over Refunded Bonds is to be paid or redeemed from the proceeds of such Cross-over Refunding Bonds.

“Cross-over Refunded Bonds” means Bonds or other obligations refunded by Cross-over Refunding Bonds.

“Cross-over Refunding Bonds” means Bonds issued for the purpose of refunding Bonds or other obligations if the proceeds of such Cross-over Refunding Bonds are irrevocably deposited in escrow in satisfaction of the requirements of Section 11-27-3, Utah Code, to secure the payment on an applicable redemption date or maturity date of the Cross-over Refunded Bonds (subject to possible use to pay Principal of the Cross-over Refunding Bonds under certain circumstances) and the earnings on such escrow deposit are required to be applied to pay interest on the Cross-over Refunding Bonds until the Cross-over Date.

“Current Interest Bonds” means all Bonds other than Capital Appreciation Bonds. Interest on Current Interest Bonds shall be payable periodically on the Interest Payment Dates provided therefor in a Supplemental Indenture.

“Debt Service” means, for any particular Bond Fund Year and for any Series of Bonds and any Repayment Obligations, an amount equal to the sum of (i) all interest payable during such Bond Fund Year on such Series of Bonds, plus (ii) the Principal Installments payable during such Bond Fund Year on (a) such Bonds Outstanding, calculated on the assumption that Bonds Outstanding on the day of calculation cease to be Outstanding by reason of, but only by reason of, payment either upon maturity or application of any Sinking Fund Installments required by the Indenture, and (b) such Repayment Obligations then outstanding;

provided, however, for purposes of Section 2.13 hereof,

(1) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds or Repayment Obligations bearing interest at a variable rate which cannot be ascertained for any particular Bond Fund Year, it shall be assumed that such Series of Variable Rate Bonds or related Repayment Obligations will bear interest at such market rate of interest applicable to such Series of Variable Rate Bonds or related Repayment Obligations as shall be established for this purpose in the opinion of the Issuer’s financial advisor, underwriter or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise);

(2) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds which are issued with a floating rate and with respect to which an Interest Rate Swap is in effect in which the Issuer has agreed to pay a fixed interest rate, such Series of Variable Rate Bonds shall be deemed to bear interest at the effective fixed annual rate thereon as a result of such Interest Rate Swap; provided that such effective fixed annual rate may be utilized only if such Interest Rate Swap does not result in a reduction or withdrawal of any rating then in effect with respect to the Bonds and so long as such Interest Rate Swap is contracted to remain in full force and effect;

(3) when calculating interest payable during such Bond Fund Year for any Series of Bonds which are issued with a fixed interest rate and with respect to which an Interest Rate Swap is in effect in which the Issuer has agreed to pay a floating amount, Debt Service shall include the interest payable on such Series of Bonds, less fixed amounts to be received by the Issuer under such Interest Rate Swap plus the amount of the floating payments (using the market rate in a manner similar to that described in (1) above, unless another method of estimation is more appropriate, in the opinion of the Issuer's financial advisor, underwriter or similar agent with the approval of each Rating Agency, for such floating payments) to be made by the Issuer under the Interest Rate Swap; provided that the above described calculation of Debt Service may be utilized only if such Interest Rate Swap does not result in a reduction or withdrawal of any rating then in effect with respect to the Bonds and so long as such Interest Rate Swap is contracted to remain in full force and effect;

(4) when calculating interest payable during such Bond Fund Year with respect to any Commercial Paper Program, Debt Service shall include an amount equal to the sum of all Principal and interest payments that would be payable during such Bond Fund Year assuming that the Authorized Amount of such Commercial Paper Program is amortized on a level debt service basis over a period of 30 years beginning on the date of calculation or, if later, the last day of the period during which obligations can be issued under such Commercial Paper Program, and bearing interest at such market rate of interest applicable to such Commercial Paper Program as shall be established for this purpose in the opinion of the Issuer's financial advisor, underwriter or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise);

(5) when calculating interest payable on Bonds that are Paired Obligations, the interest rate on such Bonds shall be the resulting linked rate or effective fixed interest rate to be paid by the Issuer with respect to such Paired Obligations; and

(6) amortization of Balloon Bonds may be assumed on a level debt service basis over a twenty-year period at the interest rate based on the Revenue Bond Index as last published in *The Bond Buyer*, provided that the full amount of Balloon Bonds shall be included in the calculation if the calculation is made within twelve (12) months of the actual maturity of such Balloon Bonds and no credit facility exists;

and further provided, that there shall be excluded from Debt Service (a) interest on Bonds (including Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest or capitalized interest is available to pay such interest, (b) Principal on Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are on deposit in an irrevocable escrow in satisfaction of the requirements of Section 11-27-3, Utah Code, as amended, and such proceeds or the earnings thereon are required to be applied to pay such Principal (subject to the possible use to pay the Principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such Principal, (c) Repayment Obligations to the extent that payments on Pledged Bonds relating to such Repayment Obligations satisfy the Issuer's obligation to pay such Repayment Obligations and (d) all interest on Bonds to the extent of Direct Payments attributable to Debt Service on Outstanding Bonds or Additional Bonds proposed to be issued.

"Debt Service Reserve Fund" means the Spanish Fork City, Utah, Debt Service Reserve Fund created in Section 3.5 hereof to be held by the Trustee and administered pursuant to Section 5.5 hereof.

"Debt Service Reserve Requirement" means with respect to each Series of Bonds issued pursuant to this Indenture, unless otherwise provided in the related Supplemental Indenture, an amount equal to the least of (i) 10% of the proceeds of such Series of Bonds determined on the basis of original Principal amount (unless original issue premium or original issue discount exceeds 2% of original Principal, then determined on the basis of initial purchase price to the public), (ii) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds, and (iii) 125% of the average annual Debt Service for such Series of Bonds; provided, however, that in the event any Series of Additional Bonds is issued to refund only a portion and not all of the then Outstanding Bonds of any other Series of Bonds issued pursuant to the Indenture, then the portion of such Series of Bonds that remain Outstanding immediately after the issuance of such Additional Bonds and the portion of such

Additional Bonds that is allocable to the refunding of such Series of Bonds may be combined and treated as a single Series for purpose of determining the Debt Service Reserve Requirement relating to such combined Series and the resulting requirement shall be allocated among the two Series pro rata based upon the total Principal amount remaining Outstanding for each Series. The Debt Service Reserve Requirement may be funded by proceeds from the sale of such Series of Bonds, by a Reserve Instrument as herein provided or, if provided in the related Supplemental Indenture, may be accumulated over time. Each Account of the Debt Service Reserve Fund shall only be used with respect to the related Series of Bonds.

"Direct Obligations" means noncallable Government Obligations.

"Direct Payment Bonds" means any interest subsidy bonds or other tax credit bonds issuable by the Issuer under the Code of substantially similar nature.

"Direct Payments" means the interest subsidy or tax credit payments received by the Issuer pursuant to the Code with respect to Direct Payment Bonds issued hereunder.

"Escrowed Interest" means amounts irrevocably deposited in escrow in accordance with the requirements of Section 11-27-3, Utah Code, in connection with the issuance of Refunding Bonds or Cross-over Refunding Bonds secured by such amounts or earnings on such amounts which are required to be applied to pay interest on such Cross-over Refunding Bonds or the related Cross-over Refunded Bonds.

"Event of Default" means with respect to any default or event of default hereunder any occurrence or event specified in and defined by Section 7.1 hereof.

"Fitch" means Fitch Ratings.

"Governing Body" means the City Council of the Issuer.

"Government Obligations" means solely one or more of the following:

- (a) State and Local Government Series issued by the United States Treasury ("SLGS");
- (b) United States Treasury bills, notes and bonds, as traded on the open market;
- (c) Zero Coupon United States Treasury Bonds; and
- (d) Any other direct obligations of or obligations unconditionally guaranteed by, the United States of America (including, without limitation, obligations commonly referred to as "REFCORP strips").

"Impact Fees" means all impact fees received by the Issuer included in Revenues.

"Indenture" means this General Indenture of Trust as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms of this Indenture.

"Initial Bonds" means the first Series of Bonds issued under this Indenture.

"Interest Payment Date" means the stated payment date of an installment of interest on the Bonds.

"Interest Rate Swap" means an agreement between the Issuer or the Trustee and a Swap Counterparty related to a Series of Bonds whereby (i) a variable rate cash flow (which may be subject to any interest rate cap) on a Principal or notional amount is exchanged for a fixed rate of return on an equal Principal or notional amount or (ii) a fixed rate cash flow on a Principal or notional amount is exchanged for a variable rate of return (which may be subject to any interest rate cap) on an equal Principal or notional amount. If the Issuer or the Trustee enters into more than one Interest Rate Swap with respect to a Series of Bonds, each Interest Rate Swap shall specify the same payment dates.

"Issuer" means Spanish Fork City, Utah, and its successors.

"Mayor" means the Mayor of the Issuer and any deputy to the Mayor or any successor to the duties of such office.

“Moody’s” means Moody’s Investors Service, Inc.

“Net Revenues” means the Revenues after provision has been made for the payment therefrom of Operation and Maintenance Expenses.

“Operation and Maintenance Expenses” means all expenses reasonably incurred in connection with the operation and maintenance of the System, whether incurred by the Issuer or paid to any other entity pursuant to contract or otherwise, repairs and renewals (other than capital improvements) necessary to keep the System in efficient operating condition, including cost of audits hereinafter required, payment of premiums for the insurance hereinafter required, Administrative Costs and, generally all expenses, exclusive of depreciation (including depreciation related expenses of any joint venture) and, any in-lieu of tax transfers to Issuer funds, interest expense for interfund loans from Issuer funds, and reimbursement to the Issuer for general overhead and administration of the Issuer, which under generally accepted accounting practices are properly allocable to operation and maintenance; however, only such expenses as are reasonably and properly necessary to the efficient operation and maintenance of the System shall be included.

“Other Available Funds” means for any year the amount available throughout the applicable year for transfer from the Rate Stabilization Fund to the Revenue Fund, as designated by the Issuer.

“Outstanding” or “Bonds Outstanding” means at any date all Bonds which have not been canceled which have been or are being authenticated and delivered by the Trustee under this Indenture, except:

(a) Any Bond or portion thereof which at the time has been paid or deemed paid pursuant to Article X of this Indenture; and

(b) Any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered hereunder, unless proof satisfactory to the Trustee is presented that such Bond is held by a bona fide holder in due course.

“Paying Agent” means the Trustee, appointed as the initial paying agent for the Bonds pursuant to Sections 6.6 and 11.5 hereof, and any additional or successor paying agent appointed pursuant hereto.

“Pledged Bonds” means any Bonds that have been (i) pledged or in which any interest has otherwise been granted to a Security Instrument Issuer as collateral security for Security Instrument Repayment Obligations or (ii) purchased and held by a Security Instrument Issuer pursuant to a Security Instrument.

“Principal” means (i) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payment of Bonds after an Event of Default, in which case “Principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest), and (ii) with respect to any Current Interest Bond, the Principal amount of such Bond payable at maturity.

“Principal Installment” means, as of any date of calculation, (i) with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (a) the Principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance of any Sinking Fund Installment due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a Principal amount equal to such unsatisfied balance of such Sinking Fund Installment and (ii) with respect to any Repayment Obligations, the Principal amount of such Repayment Obligations due on a certain future date.

“Project” means the acquisition, construction, and/or renovation of the System, or the acquisition of improvements and equipment (with an expected life beyond a current Fiscal Year) for use in the System.

“Put Bond” means any Bond which is part of a Series of Bonds which is subject to purchase by the Issuer, its agent or a third party from the Owner of the Bond pursuant to provisions of the Supplemental Indenture authorizing the issuance of the Bond and designating it as a “Put Bond.”

“Qualified Engineer” means any registered or licensed engineer or architect or engineer or firm of such engineers or architects and engineers generally recognized to be qualified in engineering matters relating to construction and maintenance of municipal sewer systems. “Qualified Engineer” may include any registered or licensed engineer employed by the Issuer.

“Qualified Investments” means any of the following securities:

(a) Government Obligations;

(b) Obligations of any of the following federal agencies which obligations represent full faith and credit obligations of the United States of America including: the Export-Import Bank of the United States; the Government National Mortgage Association; the Federal Housing Administration; the Maritime Administration; General Services Administration, Small Business Administration; or the Department of Housing and Urban Development (PHA's);

(c) Money market funds rated “AAAm” or “AAAm-G” or better by S&P and/or the equivalent rating or better of Moody’s (if so rated), including money market funds from which the Trustee or its affiliates derive a fee for investment advisory services to the fund;

(d) Commercial paper which is rated at the time of purchase in the single highest classification, P-1 by Moody’s or A-1+ by S&P, and which matures not more than 270 days after the date of purchase;

(e) Bonds, notes or other evidences of indebtedness rated “AAA” by S&P and “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(f) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks, including the Trustee and its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(g) The fund held by the Treasurer for the State of Utah and commonly known as the Utah State Public Treasurer’s Investment Fund; and

(h) Any other investments or securities permitted for investment of public funds under the State Money Management Act of 1974, Title 51, Chapter 7, Utah Code, including investments contracts permitted by Section 51-17(2)(d) thereof.

“Rate Stabilization Fund” means the Rate Stabilization Fund of the Issuer to be held by the Issuer and administered pursuant to Section 5.12 hereof.

“Rating Agency” means Fitch, Moody’s or S&P and their successors and assigns, but only to the extent such rating agency is then providing a rating on a Series of Bonds issued hereunder at the request of the Issuer. If any such Rating Agency ceases to act as a securities rating agency, the Issuer may designate any nationally recognized securities rating agency as a replacement.

“Rating Category” or “Rating Categories” mean one or more of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category or categories by a numerical modifier or otherwise.

“Rebatable Arbitrage” means with respect to any Series of Bonds where (i) the interest thereon is intended to be excludable from gross income for federal income tax purposes or (ii) Direct Payments are applicable, the Interest Payment Date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last Bond for such Series.

“Rebate Calculation Date” means, with respect to any Series of Bonds where (i) the interest thereon is intended to be excludable from gross income for federal income tax purposes or (ii) Direct Payments are applicable, the Interest Payment Date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last Bond for such Series.

“Rebate Fund” means the Spanish Fork City, Utah, Sewer Revenue Rebate Fund created in Section 3.8 hereof to be held by the Trustee and administered pursuant to Section 5.8 hereof.

“Register” means the record of ownership of the Bonds maintained by the Registrar.

“Registrar” means the Trustee (or other party designated as Registrar by Supplemental Indenture), appointed as the registrar for the Bonds pursuant to Sections 2.6, 6.5 and 11.5 hereof, and any additional or successor registrar appointed pursuant hereto.

“Regular Record Date” means unless otherwise provided by Supplemental Indenture for a Series of Bonds, the fifteenth day of the month immediately preceding each Interest Payment Date.

“Regulations” and all references thereto shall mean and include applicable final, proposed and temporary United States Treasury Regulations promulgated with respect to Sections 103 and 141 through 150 of the Code, including all amendments thereto made hereafter.

“Remarketing Agent” means a remarketing agent or commercial paper dealer appointed by the Issuer pursuant to a Supplemental Indenture.

“Repair and Replacement Fund” means the Spanish Fork City, Utah, Sewer Revenue Repair and Replacement Fund created in Section 3.7 hereof to be held by the Issuer and administered pursuant to Section 5.7 hereof.

“Repair and Replacement Reserve Requirement” means the amount or amounts from time to time required under each Supplemental Indenture to be on deposit in the Repair and Replacement Fund.

“Repayment Obligations” means, collectively, all outstanding Security Instrument Repayment Obligations and Reserve Instrument Repayment Obligations.

“Reserve Instrument” means a device or instrument issued by a Reserve Instrument Provider to satisfy all or any portion of the Debt Service Reserve Requirement applicable to a Series of Bonds. The term “Reserve Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit and other devices.

“Reserve Instrument Agreement” means any agreement entered into by the Issuer and a Reserve Instrument Provider pursuant to a Supplemental Indenture (including the applicable portions of a Supplemental Indenture) and providing for the issuance by such Reserve Instrument Provider of a Reserve Instrument.

“Reserve Instrument Costs” means all fees, premiums, expenses and similar costs, other than Reserve Instrument Repayment Obligations, required to be paid to a Reserve Instrument Provider pursuant to a Reserve Instrument Agreement. Each Reserve Instrument Agreement shall specify the fees, premiums, expenses and costs constituting Reserve Instrument Costs.

“Reserve Instrument Coverage” means, as of any date of calculation, the aggregate amount available to be paid to the Trustee pursuant hereto under all Reserve Instruments.

“Reserve Instrument Fund” means the Spanish Fork City, Utah, Sewer Revenue Reserve Instrument Fund created in Section 3.6 hereof to be held by the Trustee and administered pursuant to Section 5.6 hereof.

“Reserve Instrument Limit” means, as of any date of calculation and with respect to any Reserve Instrument, the maximum aggregate amount available to be paid under such Reserve Instrument into the Debt Service Reserve Fund assuming for purposes of such calculation that the amount initially available under each Reserve Instrument has not been reduced or that the amount initially available under each Reserve Instrument has only been reduced as a result of the payment of Principal of the applicable Series of Bonds.

“Reserve Instrument Provider” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other institution issuing a Reserve Instrument.

“Reserve Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Reserve Instrument Agreement, those outstanding amounts payable by the Issuer under such Reserve Instrument Agreement (including the Supplemental Indenture authorizing the use of such Reserve Instrument) to repay the Reserve Instrument Provider for payments previously made by it pursuant to a Reserve Instrument. There shall not be included in the calculation of Reserve Instrument Repayment Obligations any Reserve Instrument Costs.

“Revenue Fund” means the Spanish Fork City, Utah, Sewer Revenue Fund created in Section 3.2 hereof to be held by the Issuer and administered pursuant to Section 5.2 hereof.

“Revenues” means all revenues, fees (including impact fees and connection fees to the extent such fees can legally be used for the purposes financed hereunder), Direct Payments, income, rents and receipts received or earned by the Issuer from or attributable to the ownership and operation of the System (including proceeds of business interruption insurance, if any), including, without limitation, all fees and service charges received by the Issuer from service contracts for the collection, disposal or treatment of sewage with other governmental entities or businesses, together with all interest earned by and profits derived from the sale of investments made with the income and revenues.

“S&P” means S&P Global Ratings.

“Security Instrument” means an instrument or other device issued by a Security Instrument Issuer to pay, or to provide security or liquidity for, a Series of Bonds. The term “Security Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit and other security instruments and credit enhancement or liquidity devices (but does not include a Reserve Instrument); provided, however, that no such device or instrument shall be a “Security Instrument” for purposes of this Indenture unless specifically so designated in a Supplemental Indenture authorizing the use of such device or instrument.

“Security Instrument Agreement” means any agreement entered into by the Issuer and a Security Instrument Issuer pursuant to a Supplemental Indenture (including the applicable portions of a Supplemental Indenture) providing for the issuance by such Security Instrument Issuer of a Security Instrument.

“Security Instrument Costs” means, with respect to any Security Instrument, all fees, premiums, expenses and similar costs, other than Security Instrument Repayment Obligations, required to be paid to a Security Instrument Issuer pursuant to a Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument. Such Security Instrument Agreement or Supplemental Indenture shall specify any fees, premiums, expenses and costs constituting Security Instrument Costs.

“Security Instrument Issuer” means any bank or other financial institution, insurance company, surety company or other institution issuing a Security Instrument.

“Security Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Security Instrument Agreement, any outstanding amounts payable by the Issuer under the Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument to repay the Security Instrument Issuer for payments previously or concurrently made by the Security Instrument Issuer pursuant to a Security Instrument. There shall not be included in the calculation of the amount of Security Instrument Repayment Obligations any Security Instrument Costs.

“Series” means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor.

“Sinking Fund Account” means the Spanish Fork City, Utah, Sewer Revenue Sinking Fund Account of the Bond Fund created in Section 3.4 hereof to be held by the Trustee and administered pursuant to Section 5.4 hereof.

“Sinking Fund Installment” means the amount of money which is required to be deposited into the Sinking Fund Account in each Bond Fund Year for the retirement of Term Bonds as specified in the Supplemental Indenture authorizing said Term Bonds (whether at maturity or by redemption), and including the redemption premium, if any.

“Special Record Date” means such date as may be fixed for the payment of defaulted interest on the Bonds in accordance with this Indenture.

“State” means the State of Utah.

“Supplemental Indenture” means any indenture between the Issuer and the Trustee entered into pursuant to and in compliance with the provisions of Article IX hereof.

“Swap Counterparty” means a member of the International Swap Dealers Association rated in one of the three top Rating Categories by at least one of the Rating Agencies and meeting the requirements of applicable laws of the State.

“Swap Payments” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Swap Counterparty by the Issuer. Swap Payments do not include any Termination Payments.

“Swap Receipts” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable for the account of the Issuer by the Swap Counterparty. Swap Receipts do not include amounts received with respect to the early termination or modification of an Interest Rate Swap.

“System” means the Issuer’s sewer collection and treatment system, together with any additions, repairs, renewals, replacements, expansions, extensions and improvements to said System, or any part thereof, hereafter acquired or constructed, and together with all lands, easements, interests in land, licenses and rights of way of the Issuer and all other works, property, facilities, structures, equipment of the Issuer and contract rights and other tangible and intangible assets of the Issuer now or hereafter owned or used in connection with, or related to said System.

“Term Bonds” means the Bonds which shall be subject to retirement by operation of mandatory sinking fund redemptions from the Sinking Fund Account.

“Termination Payments” means the amount payable to the Swap Counterparty by the Issuer with respect to the early termination or modification of an Interest Rate Swap. Termination Payments may only be payable from and secured by Net Revenues after payment of all amounts then due pursuant to the Indenture.

“Trustee” means Zions Bancorporation, National Association or any successor corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee hereunder.

“Utah Code” means Utah Code Annotated 1953, as amended.

“Variable Rate Bonds” means, as of any date of calculation, Bonds, the interest on which for any future period of time, is to be calculated at a rate which is not susceptible to a precise determination.

“Year” means any twelve consecutive month period.

Section 1.2 Indenture to Constitute Contract. In consideration of the purchase and acceptance from time to time of any and all of the Bonds authorized to be issued hereunder by the Registered Owners thereof, the issuance from time to time of any and all Security Instruments by Security Instrument Issuers, and the issuance from time to time of any and all Reserve Instruments by Reserve Instrument Providers pursuant hereto, this Indenture shall be deemed to be and shall constitute a contract between the Issuer and the Owners from time to time of the Bonds, the Security Instrument Issuers and the Reserve Instrument Providers; and the pledge made in this Indenture and the covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be, FIRST, for the equal benefit, protection and security of the Owners of any and all of the Bonds and the Security Instrument Issuers of any and all of the Security Instruments all of which, regardless of the time or times of their issuance, delivery, maturity or expiration, shall be of equal rank without preference, priority or distinction of any of the Bonds or Security Instrument Repayment Obligations over any others, except as expressly provided in or permitted by this Indenture, and SECOND, for the equal benefit, protection and security of the Reserve Instrument Providers of any and all of the Reserve Instruments which, regardless of the time or times of their issuance, delivery or termination, shall be of equal rank without preference, priority or distinction of any Reserve Instrument over any other thereof.

Section 1.3 Construction. This Indenture, except where the context by clear implication herein otherwise requires, shall be construed as follows:

(a) The terms “hereby,” “hereof,” “herein,” “hereto,” “hereunder,” and any similar terms used in this Indenture shall refer to this Indenture in its entirety unless the context clearly indicates otherwise.

(b) Words in the singular number include the plural, and words in the plural include the singular.

(c) Words in the masculine gender include the feminine and the neuter, and when the sense so indicates, words of the neuter gender refer to any gender.

(d) Articles, sections, subsections, paragraphs and subparagraphs mentioned by number, letter, or otherwise, correspond to the respective articles, sections, subsections, paragraphs and subparagraphs hereof so numbered or otherwise so designated.

(e) The titles or leadlines applied to articles, sections and subsections herein are inserted only as a matter of convenience and ease in reference and in no way define, limit or describe the scope or intent of any provisions of this Indenture.

ARTICLE II

THE BONDS

Section 2.1 Authorization of Bonds. There is hereby authorized for issuance hereunder Bonds which may, if and when authorized by Supplemental Indenture, be issued in one or more separate Series. Each Series of Bonds shall be authorized by a Supplemental Indenture, which shall state the purpose or purposes for which each such Series of Bonds is being issued. The aggregate Principal amount of Bonds which may be issued shall not be limited except as provided herein or as may be limited by law provided that the aggregate Principal amount of Bonds of each such Series shall not exceed the amount specified in the Supplemental Indenture authorizing each such Series of Bonds.

Section 2.2 Description of Bonds; Payment.

(a) Each Series of Bonds issued under the provisions hereof may be issued only as registered bonds. Unless otherwise specified in the Supplemental Indenture authorizing such Series of Bonds, each Series of Bonds shall be in the denomination of Five Thousand Dollars (\$5,000) each or any integral multiple thereof, shall be numbered consecutively from R-1 upwards and shall bear interest payable on each Interest Payment Date.

(b) Each Series of Bonds issued under the provisions hereof shall be dated, shall bear interest at a rate or rates not exceeding the maximum rate permitted by law on the date of initial issuance of such Series, shall be payable on the days, shall be stated to mature on the days and in the years and shall be subject to redemption prior to their respective maturities, all as set forth in the Supplemental Indenture authorizing such Series of Bonds. Each Series of Bonds shall be designated “[Taxable] Sewer Revenue [Refunding] Bonds, Series _____,” in each case inserting the year in which the Bonds are issued and, if necessary, an identifying Series letter.

(c) Both the Principal of and the interest on the Bonds shall be payable in lawful money of the United States of America. Payment of the interest on any Bond shall be made to the person appearing on the Bond registration books of the Registrar hereinafter provided for as the Registered Owner thereof by check or draft mailed on the Interest Payment Date to the Registered Owner at his address as it appears on such registration books or to owners of \$1,000,000 or more in aggregate Principal amount of Bonds (or owners of 100% of any Series then Outstanding) by wire transfer to a bank account located in the United States designated by the Registered Owner in written instructions furnished to the Trustee no later than the Regular Record Date for such payment. Unless otherwise specified in the related Supplemental Indenture, the interest on Bonds so payable, and punctually paid and duly provided for, on any Interest Payment Date will be paid to the person who is the Registered Owner thereof at the close of business on the Regular Record Date for such interest immediately preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner of any Bond on such Regular Record Date, and will be paid to the person who is the Registered Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof to be given to such Registered Owner not less than ten (10) days prior to such Special Record Date. The Principal of and premium, if any, on Bonds are payable upon presentation and surrender thereof or as provided in Section 2.6 hereof at the Corporate Trust Office of the Trustee as Paying Agent, except as otherwise provided by Supplemental Indenture. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(d) The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions hereof as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board or otherwise, as may be specified in the Supplemental Indenture authorizing such Series of Bonds.

Section 2.3 Execution; Limited Obligation. Unless otherwise specified in the related Supplemental Indenture, the Bonds of any Series shall be executed on behalf of the Issuer with the manual or official facsimile signature of its Mayor, countersigned with the manual or official facsimile signature of the City Recorder, and shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the Issuer. In case any officer, the facsimile of whose signature shall appear on the Bonds, shall cease to be such officer before the delivery of such Bonds, such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

The Bonds, together with interest thereon, and all Repayment Obligations shall be limited obligations of the Issuer payable solely from the Net Revenues (except to the extent paid out of moneys attributable to the Bond proceeds or other funds created hereunder and held by the Trustee (except the Rebate Fund) or the income from the temporary investment thereof) and Other Available Funds. The Bonds shall be a valid claim of the Registered Owners thereof only against the Net Revenues and other moneys in funds and accounts held by the Trustee hereunder (except the Rebate Fund) and the Issuer hereby pledges and assigns the same for the equal and ratable payment of the Bonds and all Repayment Obligations, and the Net Revenues shall be used for no other purpose than to pay the Principal of, premium, if any, and interest on the Bonds and to pay the Repayment Obligations, except as may be otherwise expressly authorized herein or by Supplemental Indenture. The issuance of the Bonds and delivery of any Security Instrument Agreement or Reserve Instrument Agreement shall not, directly, indirectly or contingently, obligate the Issuer or any agency, instrumentality or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment.

The provisions of this Section 2.3 relating to the execution of Bonds may be changed as they apply to the Bonds of any Series by the Supplemental Indenture authorizing such Series of Bonds.

Section 2.4 Authentication and Delivery of Bonds.

(a) The Issuer shall deliver executed Bonds of each Series to the Trustee for authentication. Subject to the satisfaction of the conditions for authentication of Bonds set forth herein, the Trustee shall authenticate such Bonds, and deliver them upon the order of the Issuer to the purchasers thereof (or hold them on their behalf) upon the payment by the purchasers to the Trustee for the account of the Issuer of the purchase price therefor. Delivery by the Trustee shall be full acquittal to the purchasers for the purchase price of such Bonds, and such purchasers shall be under no obligation to see to the application thereof. The proceeds of the sale of such Bonds shall, however, be disposed of only as provided herein and in the related Supplemental Indenture.

(b) No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit hereunder, unless and until a certificate of authentication on such Bond substantially in the form set forth in the Supplemental Indenture authorizing such Bond shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered hereunder. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder.

(c) Prior to the authentication by the Trustee of each Series of Bonds there shall have been filed with the Trustee:

(i) A copy, duly certified by the City Recorder, of this Indenture (to the extent not theretofore so filed) and the Supplemental Indenture authorizing such Series of Bonds.

(ii) A copy, certified by the City Recorder, of the proceedings of the Issuer's Governing Body approving the execution and delivery of the instruments specified in Section 2.4(c)(i) herein and the execution and delivery of such Series of Bonds, together with a certificate, dated as of the date of authentication of such Series of Bonds, of the City Recorder that such proceedings are still in force and effect without amendments except as shown in such proceedings.

(iii) A request and authorization to the Trustee of the Issuer to authenticate such Series of Bonds in the aggregate Principal amount therein specified and deliver them to purchasers therein identified upon payment to the Trustee, for account of the Issuer, of the sum specified therein.

(iv) An opinion of bond counsel dated the date of authentication of such Series of Bonds substantially to the effect that (a) the Issuer has authorized the execution and delivery of this Indenture and this Indenture has been duly executed and delivered by the Issuer and is a valid and binding obligation of the Issuer; (b) this Indenture creates a valid pledge on the Net Revenues; and (c) the Bonds of such Series are valid and binding special obligations of the Issuer, provided that such opinion may contain limitations acceptable to the purchaser of such Series of Bonds.

(d) The Issuer may provide by Supplemental Indenture for the delivery to the Trustee of one or more Security Instruments (or may substitute one Security Instrument for another) with respect to any Series of Bonds and the execution and delivery of any Security Instrument Agreements deemed necessary in connection therewith.

(e) The Issuer may provide by Supplemental Indenture for the issuance and delivery to the Trustee of one or more Reserve Instruments and the execution and delivery of any Reserve Instrument Agreements deemed necessary in connection therewith.

(f) The Issuer may authorize by Supplemental Indenture the issuance of Put Bonds; provided that any obligation of the Issuer to pay the purchase price of any such Put Bonds shall not be secured by a pledge of Revenues on a parity with the pledge contained in Section 6.2 hereof. The Issuer may provide for the appointment of such Remarketing Agents, indexing agents, tender agents or other agents as the Issuer may determine.

(g) The Issuer may include such provisions in a Supplemental Indenture authorizing the issuance of a Series of Bonds secured by a Security Instrument as the Issuer deems appropriate, including:

(i) So long as the Security Instrument is in full force and effect, and payment on the Security Instrument is not in default, (i) the Security Instrument Issuer shall be deemed to be the Owner of the Outstanding Bonds of such Series (a) when the approval, consent or action of the Bondowners for such Series of Bonds is required or may be exercised under the Indenture and (b) following an Event of Default and (ii) the Indenture may not be amended in any manner which affects the rights of such Security Instrument Issuer without its prior written consent.

(ii) In the event that the Principal and redemption price, if applicable, and interest due on any Series of Bonds Outstanding shall be paid under the provisions of a Security Instrument, all covenants, agreements and other obligations of the Issuer to the Bondowners of such Series of Bonds shall continue to exist and such Security Instrument Issuer shall be subrogated to the rights of such Bondowners in accordance with the terms of such Security Instrument.

(iii) In addition, such Supplemental Indenture may establish such provisions as are necessary to provide relevant information to the Security Instrument Issuer and to provide a mechanism for paying Principal Installments and interest on such Series of Bonds from the Security Instrument.

(h) The Issuer may provide for the execution of an Interest Rate Swap in connection with any Series of Bonds issued hereunder if so provided in the Supplemental Indenture. The obligation of the Issuer to pay Swap Payments may be secured with (a) a lien on the Net Revenues on a parity with the lien thereon of Debt Service on the related Bonds (as more fully described in Section 5.2 herein) and may be net of Swap Receipts or (b) a subordinate lien on the Net Revenues and may be net of Swap Receipts. Such obligations may also be secured by other legally available moneys of the Issuer, all as established in the Supplemental Indenture for the related Series of Bonds. Termination Payments may only be payable from and secured by Net Revenues after payment of all amounts then due pursuant to the Indenture.

Section 2.5 Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate a new Bond of like date, Series, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, or an affidavit of an officer of the Bondholder attesting

to such loss, theft or destruction, together in all cases with indemnity satisfactory to the Trustee and the Issuer. In the event any such Bond shall have matured, instead of issuing a duplicate Bond, the Trustee may pay the same without surrender thereof upon compliance with the foregoing. The Trustee may charge the Registered Owner of such Bond with its reasonable fees and expenses in connection therewith. Any Bond issued pursuant to this Section 2.5 shall be deemed part of the Series of Bonds in respect of which it was issued and an original additional contractual obligation of the Issuer.

Section 2.6 Registration of Bonds; Persons Treated as Owners. The Issuer shall cause the books for the registration and for the transfer of the Bonds to be kept by the Trustee which is hereby constituted and appointed the Registrar of the Issuer with respect to the Bonds, provided, however, that the Issuer may by Supplemental Indenture select a party other than the Trustee to act as Registrar with respect to the Series of Bonds issued under said Supplemental Indenture. Upon the occurrence of an Event of Default which would require any Security Instrument Issuer to make payment under a Security Instrument Agreement, the Registrar shall make such registration books available to the Security Instrument Issuer. Any Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any Bond at the Corporate Trust Office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by, the Registered Owner or his attorney duly authorized in writing, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees, a new Bond or Bonds of the same Series and the same maturity for a like aggregate Principal amount as the Bond surrendered for transfer. Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate Principal amount of Bonds of the same Series and the same maturity. The execution by the Issuer of any Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Bond. Except as otherwise provided in a Supplemental Indenture with respect to a Series of Bonds, the Issuer and the Trustee shall not be required to transfer or exchange any Bond (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The Issuer, the Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered on the registration books kept by the Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the Principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the Issuer, nor the Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either Principal or interest on any Bond shall be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Trustee shall require the payment by the Bondholder requesting exchange or transfer of Bonds of any tax or other governmental charge and by the Issuer of any service charge of the Trustee as Registrar which are required to be paid with respect to such exchange or transfer and such charges shall be paid before such new Bond shall be delivered.

Section 2.7 Redemption Provisions. The Term Bonds of each Series of Bonds shall be subject, to the extent provided in the Supplemental Indenture authorizing each such Series of Bonds, to redemption prior to maturity by operation of Sinking Fund Installments required to be made to the Sinking Fund Account. The Bonds of each Series shall further be subject to redemption prior to maturity at such times and upon such terms as shall be fixed by such Supplemental Indenture. Except as otherwise provided in a Supplemental Indenture, if fewer than all Bonds of a Series are to be redeemed, the particular maturities of such Bonds to be redeemed and the Principal amounts of such maturities to be redeemed shall be selected by the Issuer. If fewer than all of the Bonds of any one maturity of a Series shall be called for redemption, the particular units of Bonds, as determined in accordance with Section 2.9 hereof, to be redeemed shall be selected by the Trustee randomly in such manner as the Trustee, in its discretion, may deem fair and appropriate.

Section 2.8 Notice of Redemption.

(a) In the event any of the Bonds are to be redeemed, the Registrar shall cause notice to be given as provided in this Section 2.8. Unless otherwise specified in the Supplemental Indenture authorizing the issuance of the applicable Series of Bonds, notice of such redemption (i) shall be filed with the Paying Agent designated for the Bonds

being redeemed; and (ii) shall be mailed by first class mail, postage prepaid, to all Registered Owners of Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption. Such notice shall state the following information:

- (i) the complete official name of the Bonds, including Series, to be redeemed, the identification numbers of Bonds and the CUSIP numbers, if any, of the Bonds being redeemed, provided that any such notice shall state that no representation is made as to the correctness of CUSIP numbers either as printed on such Bonds or as contained in the notice of redemption and that reliance may be placed only on the identification numbers contained in the notice or printed on such Bonds;
- (ii) any other descriptive information needed to identify accurately the Bonds being redeemed, including, but not limited to, the original issue date of, and interest rate on, such Bonds;
- (iii) in the case of partial redemption of any Bonds, the respective Principal amounts thereof to be redeemed;
- (iv) the date of mailing of redemption notices and the redemption date;
- (v) the redemption price;
- (vi) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and
- (vii) the place where such Bonds are to be surrendered for payment, designating the name and address of the redemption agent with the name of a contact person and telephone number.

(b) In addition to the foregoing, further notice of any redemption of Bonds hereunder shall be given by the Trustee, simultaneous with the mailed notice to Registered Owners, to the Municipal Securities Rulemaking Board and all registered securities depositories (as reasonably determined by the Trustee) then in the business of holding substantial amounts of obligations of types comprising the Bonds. Such further notice shall contain the information required in clause (a) above. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

(c) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(d) If at the time of mailing of any notice of optional redemption there shall not be on deposit with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that such redemption shall be conditioned upon receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the Principal of and interest on such Bonds to be redeemed and that if such moneys shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Bonds. In the event that such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, one time, in the same manner in which the notice of redemption was given, that such moneys were not so received.

(e) A second notice of redemption shall be given, not later than ninety (90) days subsequent to the redemption date, to Registered Owners of Bonds or portions thereof redeemed but who failed to deliver Bonds for redemption prior to the 60th day following such redemption date.

(f) Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such Bonds receives the notice. Receipt of such notice shall not be a condition precedent to such redemption, and failure so to receive any such notice by any of such Registered Owners shall not affect the validity of the proceedings for the redemption of the Bonds.

(g) In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state also that on or after the redemption date, upon surrender of such Bond, a new Bond in Principal amount equal to the unredeemed portion of such Bond will be issued.

Section 2.9 Partially Redeemed Fully Registered Bonds. Unless otherwise specified in the related Supplemental Indenture, in case any registered Bond shall be redeemed in part only, upon the presentation of such Bond for such partial redemption, the Issuer shall execute and the Trustee shall authenticate and shall deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the Issuer, a Bond or Bonds of the same Series, interest rate and maturity, in aggregate Principal amount equal to the unredeemed portion of such registered Bond. Unless otherwise provided by Supplemental Indenture, a portion of any Bond of a denomination of more than the minimum denomination of such Series specified herein or in the related Supplemental Indenture to be redeemed will be in the Principal amount of such minimum denomination or an integral multiple thereof and in selecting portions of such Bonds for redemption, the Trustee will treat each such Bond as representing that number of Bonds of such minimum denomination which is obtained by dividing the Principal amount of such Bonds by such minimum denomination.

Section 2.10 Cancellation. All Bonds which have been surrendered for payment, redemption or exchange, and Bonds purchased from any moneys held by the Trustee hereunder or surrendered to the Trustee by the Issuer, shall be canceled and cremated or otherwise destroyed by the Trustee and shall not be reissued; provided, however, that one or more new Bonds shall be issued for the unredeemed portion of any Bond without charge to the Registered Owner thereof.

Section 2.11 Nonpresentation of Bonds. Unless otherwise provided by Supplemental Indenture, in the event any Bond shall not be presented for payment when the Principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Issuer to the Registered Owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability to the Registered Owner of such Bond for interest thereon, for the benefit of the Registered Owner of such Bond who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part hereunder or on, or with respect to, said Bond. If any Bond shall not be presented for payment within five years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall, to the extent permitted by law, repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Registered Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money. The provisions of this Section 2.11 are subject to the provisions of Title 67, Chapter 4a, Utah Code Annotated 1953, as amended.

Section 2.12 Initial Bonds. Subject to the provisions hereof, the Initial Bonds may be authenticated and delivered by the Trustee upon satisfaction of the conditions specified in Section 2.4(c) hereof and any additional conditions specified in the Supplemental Indenture authorizing such Series of Bonds.

Section 2.13 Issuance of Additional Bonds. No additional indebtedness, bonds or notes of the Issuer secured by a pledge of the Revenues senior to the pledge of Net Revenues for the payment of the Bonds and the Security Instrument Repayment Obligations herein authorized shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds and the Security Instrument Issuers. In addition, no Additional Bonds or other indebtedness, bonds or notes of the Issuer payable on a parity with the Bonds and the Security Instrument Repayment Obligations herein authorized out of Net Revenues shall be created or incurred, unless the following requirements have been met:

(a) No Event of Default shall have occurred and be continuing hereunder on the date of authentication of any Additional Bonds. This Section 2.13(a) shall not preclude the issuance of Additional Bonds if (i) the issuance of such Additional Bonds otherwise complies with the provisions hereof and (ii) such Event of Default will cease to continue upon the issuance of Additional Bonds and the application of the proceeds thereof; and

(b) A certificate shall be delivered to the Trustee by an Authorized Representative to the effect that the Net Revenues plus Other Available Funds for any Year, less any Direct Payments, for any consecutive 12-month period in the 24 months immediately preceding the proposed date of issuance of such Additional Bonds were at least equal to 125% of the sum of the Aggregate Annual Debt Service Requirement on all Bonds outstanding for said Year; and

provided, however, that such Net Revenue coverage test set forth in Subsection (b) above shall not apply to the issuance of any Additional Bonds to the extent (i) they are issued for the purpose of refunding Bonds issued hereunder, (ii) the Average Aggregate Annual Debt Service for such Additional Bonds does not exceed the then remaining Average Aggregate Annual Debt Service for the Bonds being refunded therewith and (iii) the maximum Aggregate Annual Debt Service Requirement for such Additional Bonds is less than or equal to the maximum Aggregate Annual Debt Service Requirement for the Bonds being refunded therewith; and

(c) In the case of Additional Bonds issued to finance a Project, the Issuer shall have delivered to the Trustee a certificate from an Authorized Representative:

(i) setting forth the Estimated Net Revenues as herein described (assuming, if applicable, the completion of the Project, or any portion thereof, financed with proceeds of the Additional Bonds) either:

(A) for each of the two Bond Fund Years succeeding the latest estimated date of completion of the Project, or any portion thereof, if proceeds of the Additional Bonds are used to fund interest during the construction period, or

(B) if (A) is not the case, for the then current Bond Fund Year and each succeeding Bond Fund Year to and including the second Bond Fund Year succeeding the latest estimated date of completion of the Project, or any portion thereof; and

(ii) verifying that the Estimated Net Revenues as shown in (i) above for each of such Bond Fund Years, less any Direct Payments, plus Other Available Funds are not less than 125% of the Aggregate Annual Debt Service Requirement for each of such Bond Fund Years with respect to all of the Bonds and Additional Bonds which would then be Outstanding (after taking into account any Principal reductions resulting from regularly scheduled Principal or sinking fund redemption payments) and the Additional Bonds so proposed to be issued.

For purposes of this Section 2.13(c), "Estimated Net Revenues" shall be determined by the Authorized Representative as follows:

(A) The total Net Revenues of the System for any Year in the 24 months immediately preceding the authentication and delivery of the Additional Bonds shall first be determined. For purposes of these calculations, Revenues may be adjusted to give full effect to rate increases implemented prior to the issuance of the Additional Bonds.

(B) Next, the additional Net Revenues, if any, resulting from the Project, or any portion thereof, financed with the proceeds of the Additional Bonds will be estimated by a Qualified Engineer for the applicable Bond Fund Years as determined in Section 2.13(c)(i)(A) or (B) above.

(C) The Estimated Net Revenues will be the sum of the Net Revenues as calculated in (A) above, less any Direct Payments, plus 80% of the estimated additional Net Revenues as calculated in (B) above.

(iii) Provided, however, that such Qualified Engineer's certificate set forth in this Subsection

(c) may instead be delivered by an Authorized Representative in the event that the Issuer is not relying upon the Estimated Net Revenues in order to meet the Net Revenue coverage test set forth in Subsection (b) above.

(d) All payments required by this Indenture to be made into the Bond Fund must have been made in full, and there must be on deposit in each account of the Debt Service Reserve Fund (taking into account any Reserve Instrument coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds; and

(e) The proceeds of the Additional Bonds must be used (i) to refund Bonds issued hereunder, or other obligations of the Issuer (including the funding of necessary reserves and the payment of costs of issuance) and/or (ii) to finance or refinance a Project (including the funding of necessary reserves and the payment of costs of issuance).

Section 2.14 Form of Bonds The Bonds of each Series and the Trustee's Authentication Certificate shall be in substantially the forms thereof set forth in the Supplemental Indenture authorizing the issuance of such Bonds, with such omissions, insertions and variations as may be necessary, desirable, authorized and permitted hereby.

Section 2.15 Covenant Against Creating or Permitting Liens. Except for the pledge of Net Revenues to secure payment of the Bonds and other Repayment Obligations hereunder, the Net Revenues are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that nothing contained herein shall prevent the Issuer from issuing, if and to the extent permitted by law, indebtedness having a lien on Net Revenues subordinate to that of the Bonds and Repayment Obligations.

Section 2.16 Perfection of Security Interest. (a) The Indenture creates a valid and binding pledge and assignment of security interest in all of the Net Revenues pledged under the Indenture in favor of the Trustee as security for payment of the Bonds, enforceable by the Trustee in accordance with the terms thereof.

(b) Under the laws of the State, such pledge and assignment and security interest is automatically perfected by Section 11-14-501, Utah Code Annotated 1953, as amended, and is and shall have priority as against all parties having claims of any kind in tort, contract, or otherwise hereafter imposed on the Net Revenues.

ARTICLE III

CREATION OF FUNDS AND ACCOUNTS

Section 3.1 Creation of Acquisition/Construction Fund. There is hereby created and ordered established in the custody of the Trustee the Acquisition/Construction Fund. There is hereby created and ordered established in the custody of the Trustee a separate account within the Acquisition/Construction Fund for each Project to be designated by the name of the applicable Project or Series of Bonds and, if applicable, a separate account for each Series of Bonds and for all grant moneys or other moneys to be received by the Issuer for deposit in the Acquisition/Construction Fund.

Section 3.2 Creation of Revenue Fund. The Issuer shall create and establish with the Issuer the Revenue Fund. For accounting purposes, the Revenue Fund may be redesignated by different account names by the Issuer from time to time.

Section 3.3 Creation of Bond Fund. There is hereby created and ordered established in the custody of the Trustee the Bond Fund.

Section 3.4 Creation of Sinking Fund Account. There is hereby created and ordered established in the custody of the Trustee as a separate account within the Bond Fund the Sinking Fund Account.

Section 3.5 Creation of Debt Service Reserve Fund. There is hereby created and ordered established in the custody of the Trustee the Debt Service Reserve Fund.

Section 3.6 Creation of Reserve Instrument Fund. There is hereby created and ordered established in the custody of the Trustee the Reserve Instrument Fund.

Section 3.7 Creation of Repair and Replacement Fund. There is hereby created and ordered established in the custody of the Issuer the Repair and Replacement Fund.

Section 3.8 Creation of Rebate Fund. There is hereby created and ordered established in the custody of the Trustee the Rebate Fund.

Section 3.9 Creation of Rate Stabilization Fund. There is hereby created and ordered established in the custody of the Issuer the Rate Stabilization Fund. For accounting purposes, the Rate Stabilization Fund may be redesignated by different account name by the Issuer from time to time.

Section 3.10 Creation of Funds and Accounts. Notwithstanding anything contained herein to the contrary, the Trustee need not create any of the funds or accounts referenced in this Article III until such funds or accounts shall be utilized as provided in a Supplemental Indenture. The Issuer may, by Supplemental Indenture, authorize the creation of additional funds and additional accounts within any funds the Trustee may create.

ARTICLE IV

APPLICATION OF BOND PROCEEDS

Upon the issuance of each Series of Bonds, the proceeds thereof shall be deposited as provided in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

ARTICLE V

USE OF FUNDS

Section 5.1 Use of Acquisition/Construction Fund.

(a) So long as an Event of Default shall not have occurred and be continuing and except as otherwise provided by Supplemental Indenture, moneys deposited in the appropriate account in the Acquisition/Construction Fund shall be disbursed by the Trustee to pay the Costs of a Project, in each case within three Business Days (or within such longer period as is reasonably required to liquidate investments in the Acquisition/Construction Fund if required to make such payment) after the receipt by the Trustee of a written requisition approved by an Authorized Representative of the Issuer in substantially the form as Exhibit A attached hereto, stating that the Trustee shall disburse sums in the manner specified by and at the direction of the Issuer to the person or entity designated in such written requisition, and that the amount set forth therein is justly due and owing and constitutes a Cost of a Project based upon audited, itemized claims substantiated in support thereof.

(b) Upon receipt of such requisition, the Trustee shall pay the obligation set forth in such requisition out of moneys in the applicable account in the Acquisition/Construction Fund. In making such payments the Trustee may rely upon the information submitted in such requisition. Such payments shall be presumed to be made properly and the Trustee shall not be required to verify the application of any payments from the Acquisition/Construction Fund or to inquire into the purposes for which disbursements are being made from the Acquisition/Construction Fund.

(c) The Issuer shall deliver to the Trustee, within 90 days after the completion of a Project, a certificate executed by an Authorized Representative of the Issuer stating:

(i) that such Project has been fully completed in accordance with the plans and specifications therefor, as amended from time to time, and stating the date of completion for such Project; and

(ii) that the Project has been fully paid for and no claim or claims exist against the Issuer or against such Project out of which a lien based on furnishing labor or material exists or might ripen; provided, however, there may be excepted from the foregoing certification any claim or claims out of which a lien exists or might ripen in the event the Issuer intends to contest such claim or claims, in which event such claim or claims shall be described to the Trustee.

(d) In the event the certificate filed with the Trustee pursuant to Section 5.1(c) herein shall state that there is a claim or claims in controversy which create or might ripen into a lien, an Authorized Representative of the Issuer shall file a similar certificate with the Trustee when and as such claim or claims shall have been fully paid or otherwise discharged.

(e) The Trustee and the Issuer shall keep and maintain adequate records pertaining to each account within the Acquisition/Construction Fund and all disbursements therefrom.

(f) Unless otherwise specified in a Supplemental Indenture, upon completion of a Project and payment of all costs and expenses incident thereto and the filing with the Trustee of documents required by this Section 5.1, any balance remaining in the applicable account in the Acquisition/Construction Fund relating to such Project shall, as directed by an Authorized Representative of the Issuer, be deposited in the Bond Fund, to be applied, (i) toward the redemption of the Series of Bonds issued to finance such Project or (ii) to pay Principal and/or interest next falling due with respect to such Series of Bonds.

Section 5.2 Application of Revenues.

(a) Unless otherwise provided herein, all Revenues shall be deposited in the Revenue Fund and shall be accounted for by the Issuer separate and apart from all other moneys of the Issuer.

(b) As a first charge and lien on the Revenues, the Issuer shall cause to be paid from the Revenue Fund from time to time as the Issuer shall determine, all Operation and Maintenance Expenses of the System as the same become due and payable, and thereupon such expenses shall be promptly paid.

(c) So long as any Bonds are Outstanding, as a second charge and lien on the Revenues after payment of Operation and Maintenance Expenses, i.e., from the Net Revenues, the Issuer shall, at least semi-annually and at least fifteen (15) days before each Interest Payment Date, transfer from the Revenue Fund (and, if applicable, any amounts on deposit in the Rate Stabilization Fund, on a parity basis) to the Trustee for deposit into the Bond Fund an amount equal to:

(i) the interest falling due on the Bonds on the next succeeding Interest Payment Date established for the Bonds (provided, however, that so long as there are moneys representing capitalized interest on deposit with the Trustee to pay interest on the Bonds next coming due, the Issuer need not allocate to the Revenue Fund to pay interest on the Bonds); plus

(ii) one half of the Principal and premium, if any, falling due in the current fiscal year, and in any event, an amount sufficient to pay the Principal and premium on the next succeeding Principal payment date established for the Bonds; plus

(iii) one-half of the Sinking Fund Installments, if any, falling due in the current fiscal year, and in any event, an amount sufficient to pay the Sinking Fund Installments on the next succeeding Sinking Fund Installment payment date (for deposit to the Sinking Fund Account within the Bond Fund);

the sum of which shall be sufficient, when added to the existing balance in the Bond Fund, to pay the Principal of, premium, if any, and interest on the Bonds promptly on each such date as the same become due and payable. The foregoing provisions may be revised by a Supplemental Indenture for any Series of Bonds having other than semiannual Interest Payment Dates.

(d) As a third charge and lien on the Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) (on a parity basis), the Issuer shall make the following transfers to the Trustee on or before the fifteenth day prior to each Interest Payment Date:

(i) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (A) to the accounts in the Debt Service Reserve Fund any amounts required hereby, and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided herein, and in any Supplemental Indenture and (B) if funds shall have been withdrawn from an account in the Debt Service Reserve Fund, or any account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, the Issuer shall deposit Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) in such account(s) in the Debt Service Reserve Fund sufficient in amount to restore such account(s) within one year with twelve (12) substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Debt Service Reserve Requirement); or a ratable portion (based on the amount to be transferred pursuant to Section 5.2(d)(ii) hereof) of remaining Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) if less than the amount necessary; and

(ii) Equally and ratably to the accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of an interest payment period, such amount of the remaining Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund), or a ratable portion (based on the amount to be transferred pursuant to Section 5.2(d)(i) hereof) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such interest payment period transfer or deposit of Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) into the Reserve Instrument Fund, to the Reserve

Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit within one year from any draw date under the Reserve Instrument.

(e) As a fourth charge and lien on the Net Revenues (and, if applicable any amounts on deposit in the Rate Stabilization Fund), the Issuer shall deposit in the Repair and Replacement Fund any amount required hereby and by any Supplemental Indenture to accumulate therein the Repair and Replacement Reserve Requirement. In the event that the amount on deposit in the Repair and Replacement Fund shall ever be less than the Repair and Replacement Reserve Requirement for the Bonds then Outstanding (or, after the issuance of Additional Bonds, the amount required to be on deposit therein), from time to time, the Issuer shall deposit to the Repair and Replacement Fund from the Revenue Fund all remaining Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) of the System after payments required by Sections 5.2(b), 5.2(c) and 5.2(d) herein have been made until there is on deposit in the Repair and Replacement Fund an amount equal to the Repair and Replacement Reserve Requirement. Subject to the provisions of Section 5.2(f) herein, this provision is not intended to limit, and shall not limit, the right of the Issuer to deposit additional moneys in the Repair and Replacement Fund from time to time as the Issuer may determine.

(f) Subject to making the foregoing deposits, the Issuer may use the balance of the Net Revenues accounted for in the Revenue Fund for any of the following:

- (i) redemption of Bonds;
- (ii) refinancing, refunding, or advance refunding of any Bonds;
- (iii) for transfer to the Rate Stabilization Fund; or
- (iv) for any other lawful purpose.

Section 5.3 Use of Bond Fund. The Issuer may direct the Trustee, pursuant to a Supplemental Indenture, to create an account within the Bond Fund for a separate Series of Bonds under the Indenture.

(a) The Trustee shall make deposits to the Bond Fund, as and when received, as follows:

- (i) accrued interest received upon the issuance of any Series of Bonds;
- (ii) all moneys payable by the Issuer as specified in Section 5.2(c) hereof;
- (iii) any amount in the Acquisition/Construction Fund to the extent required by or directed pursuant to Section 5.1(f) hereof upon completion of a Project;
- (iv) all moneys transferred from the Debt Service Reserve Fund or from a Reserve Instrument or Instruments then in effect as provided in Section 5.5 hereof; and
- (v) all other moneys received by the Trustee hereunder when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund.

(b) Except as provided in Section 7.4 hereof and as provided in this Section 5.3 and except as otherwise provided by Supplemental Indenture, moneys in the Bond Fund shall be expended solely for the following purposes and in the following order of priority:

- (i) on or before each Interest Payment Date for each Series of Bonds, the amount required to pay the interest due on such date;
- (ii) on or before each Principal Installment due date, the amount required to pay the Principal Installment due on such due date; and
- (iii) on or before each redemption date for each Series of Bonds, the amount required to pay the redemption price of and accrued interest on such Bonds then to be redeemed.

Such amounts shall be applied by the Paying Agent to pay Principal Installments and redemption price of, and interest on the related Series of Bonds.

The Trustee shall pay out of the Bond Fund to the Security Instrument Issuer, if any, that has issued a Security Instrument with respect to such Series of Bonds an amount equal to any Security Instrument Repayment Obligation then due and payable to such Security Instrument Issuer. Except as otherwise specified in a related Supplemental Indenture all such Security Instrument Repayment Obligations shall be paid on a parity with the payments to be made with respect to Principal and interest on the Bonds; provided that amounts paid under a Security Instrument shall be applied only to pay the related Series of Bonds. If payment is so made on Pledged Bonds held for the benefit of the Security Instrument Issuer, a corresponding payment on the Security Instrument Repayment Obligation shall be deemed to have been made (without requiring an additional payment by the Issuer) and the Trustee shall keep its records accordingly.

The Issuer hereby authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay Principal of and interest on the Bonds and on Security Instrument Repayment Obligations as the same become due and payable and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying said Principal and interest.

(c) After payment in full of the Principal of and interest on (1) all Bonds issued hereunder (or after provision has been made for the payment thereof as provided herein so that such Bonds are no longer Outstanding); (2) all agreements relating to all outstanding Security Instrument Repayment Obligations and Reserve Instrument Repayment Obligations in accordance with their respective terms; and (3) the fees, charges and expenses of the Trustee, the Paying Agent and any other amounts required to be paid hereunder or under any Supplemental Indenture and under any Security Instrument Agreement and under any Reserve Instrument Agreement; all amounts remaining in the Bond Fund shall be paid to the Issuer.

Section 5.4 Use of Sinking Fund Account.

(a) The Trustee shall apply moneys in the Sinking Fund Account to the retirement of any Term Bonds required to be retired by operation of the Sinking Fund Account under the provisions of and in accordance with the Supplemental Indenture authorizing the issuance of such Term Bonds, either by redemption in accordance with such Supplemental Indenture or, at the direction of the Issuer, purchase of such Term Bonds in the open market prior to the date on which notice of the redemption of such Term Bonds is given pursuant hereto, at a price not to exceed the redemption price of such Term Bonds (plus accrued interest which will be paid from moneys in the Bond Fund other than those in the Sinking Fund Account).

(b) On the maturity date of any Term Bonds, the Trustee shall apply the moneys on hand in the Sinking Fund Account for the payment of the Principal of such Term Bonds.

Section 5.5 Use of Debt Service Reserve Fund. Except as otherwise provided in this Section 5.5 and subject to the immediately following sentence, moneys in each account in the Debt Service Reserve Fund shall at all times be maintained in an amount not less than the applicable Debt Service Reserve Requirement, if any. In calculating the amount on deposit in each account in the Debt Service Reserve Fund, the amount of any Reserve Instrument Coverage will be treated as an amount on deposit in such account in the Debt Service Reserve Fund. Each Supplemental Indenture authorizing the issuance of a Series of Bonds shall specify the Debt Service Reserve Requirement, if any, applicable to such Series which amount shall either be (i) deposited immediately upon the issuance and delivery of such Series from (a) proceeds from the sale thereof or from any other legally available source, or (b) by a Reserve Instrument or Instruments, or (c) any combination thereof; (ii) deposited from available Net Revenues over the period of time specified therein, or (iii) deposited from any combination of (i) and (ii) above; provided however, the foregoing provisions shall be subject to the requirements of any Security Instrument Issuer set forth in any Supplemental Indenture. If at any time the amount on deposit in any account of the Debt Service Reserve Fund is less than the minimum amount to be maintained therein under this Section 5.5, the Issuer is required, pursuant to Section 5.2(d) hereof and the provisions of any Supplemental Indenture, to make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund.

In the event funds on deposit in an account of the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund as aforementioned, and there is insufficient cash available in such account of the Debt Service Reserve Fund to make up such deficiency and Reserve Instruments applicable to such Series are in effect, the Trustee shall immediately make a demand for payment on such Reserve Instruments, to the maximum extent authorized by such Reserve Instruments, in the

amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund. Thereafter, the Issuer shall be obligated to reinstate the Reserve Instrument as provided in Section 5.2(d)(ii) herein.

No Reserve Instrument shall be allowed to expire or terminate while the related Series of Bonds are Outstanding unless and until cash has been deposited into the related account of the Debt Service Reserve Fund, or a new Reserve Instrument has been issued in place of the expiring or terminating Reserve Instrument, or any combination thereof in an amount or to provide coverage, as the case may be, at least equal to the amount required to be maintained in the related account of the Debt Service Reserve Fund.

Moneys at any time on deposit in the account of the Debt Service Reserve Fund in excess of the amount required to be maintained therein (taking into account the amount of related Reserve Instrument Coverage) shall be transferred by the Trustee to the Bond Fund at least once each year.

Moneys on deposit in any account of the Debt Service Reserve Fund shall be used to make up any deficiencies in the Bond Fund only for the Series of Bonds secured by said account and any Reserve Instrument shall only be drawn upon with respect to the Series of Bonds for which such Reserve Instrument was obtained.

The Issuer may, upon obtaining approving opinion of bond counsel to the effect that such transaction will not adversely affect the tax-exempt status of any outstanding Bonds, replace any amounts required to be on deposit in the Debt Service Reserve Fund with a Reserve Instrument.

Section 5.6 Use of Reserve Instrument Fund. There shall be paid into the Reserve Instrument Fund the amounts required hereby and by a Supplemental Indenture to be so paid. The amounts in the Reserve Instrument Fund shall, from time to time, be applied by the Trustee on behalf of the Issuer to pay the Reserve Instrument Repayment Obligations which are due and payable to any Reserve Instrument Provider under any applicable Reserve Instrument Agreement.

Section 5.7 Use of Repair and Replacement Fund. All moneys in the Repair and Replacement Fund may be drawn on and used by the Issuer for the purpose of (a) paying the cost of unusual or extraordinary maintenance or repairs of the System; (b) paying the costs of any renewals, renovation, improvements, expansion or replacements to the System; and (c) paying the cost of any replacement of buildings, lines, equipment and other related facilities, to the extent the same are not paid as part of the ordinary and normal expense of the operation of the System.

Funds shall be deposited at least semi-annually from available Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) in such amounts as may be required from time to time by each Supplemental Indenture until the Repair and Replacement Fund has an amount equivalent to the Repair and Replacement Requirement. Any deficiencies below the Repair and Replacement Requirement shall be made up from Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) of the System available for such purposes. Funds at any time on deposit in the Repair and Replacement Fund in excess of the amount required to be maintained therein may, at any time, be used by the Issuer for any lawful purpose.

Section 5.8 Use of Rebate Fund.

(a) If it becomes necessary for the Issuer to comply with the rebate requirements of the Code and the Regulations, the Trustee shall establish and thereafter maintain, so long as the Bonds which are subject to said rebate requirements are Outstanding, a Rebate Fund, which shall be held separate and apart from all other funds and accounts established under this Indenture and from all other moneys of the Trustee.

(b) All amounts in the Rebate Fund, including income earned from investment of the fund, shall be held by the Trustee free and clear of the lien of the Indenture. In the event the amount on deposit in the Rebate Fund exceeds the aggregate amount of Rebatable Arbitrage for one or more Series of Bonds, as verified in writing by an independent public accountant or other qualified professional at the time the Rebatable Arbitrage is determined, the excess amount remaining after payment of the Rebatable Arbitrage to the United States shall, upon the Issuer's written request accompanied by the determination report, be paid by the Trustee to the Issuer.

(c) The Issuer shall determine the amount of Rebatable Arbitrage and the corresponding Required Rebate Deposit with respect to each Series of Bonds on each applicable Rebate Calculation Date and take all other actions necessary to comply with the rebate requirements of the Code and the Regulations. The Issuer shall deposit into the Rebate Fund the Required Rebate Deposit, if any, with respect to each Series of Bonds (or instruct the Trustee

to transfer to the Rebate Fund moneys representing such Required Rebate Deposit from the Funds and Accounts held under the Indenture other than the Rebate Fund) or shall otherwise make payment of the rebate to be paid to the United States at the times required by the Code and the Regulations. If applicable, the Issuer shall instruct in writing the Trustee to withdraw from the Rebate Fund and pay any rebate over to the United States. The determination of Rebateable Arbitrage made with respect to each such payment date and with respect to any withdrawal and payment to the Issuer from the Rebate Fund pursuant to the Indenture must be verified in writing by an independent public accountant or other qualified professional. The Trustee may rely conclusively upon and shall be fully protected from all liability in relying upon the Issuer's determinations, calculations and certifications required by this Section 5.8 and the Trustee shall have no responsibility to independently make any calculations or determination or to review the Issuer's determinations, calculations and certifications required by this Section 5.8.

(d) The Trustee shall, at least 60 days prior to each Rebate Calculation Date, notify the Issuer of the requirements of this Section 5.8. By agreeing to give this notice, the Trustee assumes no responsibility whatsoever for compliance by the Issuer with the requirements of Section 148 of the Code or any successor. The Issuer expressly agrees that (notwithstanding any other provision of the Indenture) any failure of the Trustee to give any such notice, for any reason whatsoever, shall not cause the Trustee to be responsible for any failure of the Issuer to comply with the requirements of said Section 148 or any successor thereof.

(e) The provisions of this Section 5.8 may be amended or deleted without Bondowner consent or notice, upon receipt by the Issuer and the Trustee of an opinion of nationally recognized bond counsel that such amendment or deletion will not adversely affect the excludability from gross income of interest on the Bonds or the status of the Bonds as entitled to Direct Payments, if applicable.

Section 5.9 Investment of Funds. Any moneys in the Bond Fund, the Acquisition/Construction Fund, the Reserve Instrument Fund, the Rebate Fund or the Debt Service Reserve Fund shall, at the discretion and written authorization of the Issuer's Authorized Representative, be invested by the Trustee in Qualified Investments; provided, however, that moneys on deposit in the Bond Fund and the Reserve Instrument Fund may only be invested in Qualified Investments having a maturity date one year or less. If no written authorization is given to the Trustee, moneys shall be held uninvested. Such investments shall be held by the Trustee, and when the Trustee determines it necessary to use the moneys in the Funds for the purposes for which the Funds were created, it shall liquidate at prevailing market prices as much of the investments as may be necessary and apply the proceeds to such purposes. All income derived from the investment of the Acquisition/Construction Fund, Bond Fund, the Reserve Instrument Fund and Rebate Fund shall be maintained in said respective Funds and disbursed along with the other moneys on deposit therein as herein provided. All income derived from the investment of the Debt Service Reserve Fund shall be disbursed in accordance with Section 5.5 hereof. All moneys in the Revenue Fund may, at the discretion of the Issuer, be invested by the Issuer in Qualified Investments.

The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Section 5.9. The Trustee shall be entitled to assume that any investment, which at the time of purchase is a Qualified Investment, remains a Qualified Investment thereafter, absent receipt of written notice or information to the contrary.

The Trustee may, to the extent permitted by the State Money Management Act of 1974, Title 51, Chapter 7, Utah Code, make any and all investments permitted by the provisions of the Indenture through its own or any of its affiliate's investment departments.

The Issuer acknowledges that to the extent regulations of the Comptroller of the Currency or any other regulatory entity grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer periodic cash transaction statements which include the detail for all investment transactions made by the Trustee hereunder.

The Issuer may invest the amounts on deposit in the Repair and Replacement Fund as permitted by applicable law.

In the event the Issuer shall be advised by nationally recognized municipal bond counsel that it is necessary to restrict or limit the yield on the investment of any moneys paid to or held by the Trustee in order to avoid the Bonds, or any Series thereof, being considered "arbitrage bonds" within the meaning of the Code or the Treasury Regulations proposed or promulgated thereunder, or to otherwise preserve the excludability of interest payable or paid on any Bonds from gross income for federal income tax purposes, the Issuer may require in writing the Trustee to take such steps as it may be advised by such

counsel are necessary so to restrict or limit the yield on such investment and the Trustee agrees that it will take all such steps as the Issuer may require.

Section 5.10 Trust Funds. All moneys and securities received by the Trustee under the provisions of this Indenture shall be trust funds under the terms hereof and shall not be subject to lien or attachment of any creditor of the State or any political subdivision, body, agency, or instrumentality thereof or of the Issuer and shall not be subject to appropriation by any legislative body or otherwise. Such moneys and securities shall be held in trust and applied in accordance with the provisions hereof. Except as provided otherwise in Section 5.8 hereof, unless and until disbursed pursuant to the terms hereof, all such moneys and securities (and the income therefrom) shall be held by the Trustee as security for payment of the Principal of, premium, if any, and interest on the Bonds and the fees and expenses of the Trustee payable hereunder.

Section 5.11 Method of Valuation and Frequency of Valuation. In computing the amount in any fund or account, Qualified Investments shall be valued at market, exclusive of accrued interest. With respect to all funds and accounts, valuation shall occur annually, except in the event of a withdrawal from the Debt Service Reserve Fund, whereupon securities shall be valued immediately after such withdrawal.

Section 5.12 Use of Rate Stabilization Fund. The Issuer may create and maintain the Rate Stabilization Fund as a separate fund of the Issuer. The Rate Stabilization Fund may be funded by the Issuer from any legally available funds of the Issuer and/or may be funded by the Issuer from amounts transferred from the Revenue Fund as provided in Section 5.2(f)(iii). The Issuer may, from time to time, designate all or a portion of the amounts on deposit in the Rate Stabilization Fund as Other Available Funds (as described in the definition thereof). Except for amounts designated as provided in the immediately preceding sentence (for the year so designated), amounts on deposit in the Rate Stabilization Fund may be used by the Issuer for any lawful purpose. To the extent that amounts on deposit in the Revenue Fund are insufficient in any year for any of the purposes thereof the Issuer covenants that, to the extent amounts are on deposit in the Rate Stabilization Fund, to transfer amounts from the Rate Stabilization Fund to the Revenue Fund to cover any such insufficiency.

ARTICLE VI

GENERAL COVENANTS

Section 6.1 General Covenants. The Issuer hereby covenants and agrees with each and every Registered Owner of the Bonds issued hereunder, Security Instrument Issuer and Reserve Instrument Provider as follows:

(a) While any of the Principal of and interest on the Bonds are outstanding and unpaid, or any Repayment Obligations are outstanding, any resolution or other enactment of the Governing Body of the Issuer, applying the Net Revenues for the payment of the Bonds and the Repayment Obligations shall be irrevocable until the Bonds and/or any Repayment Obligations have been paid in full as to both Principal and interest, and is not subject to amendment in any manner which would impair the rights of the holders of those Bonds or the Repayment Obligations which would in any way jeopardize the timely payment of Principal or interest when due. Furthermore, the rates, for all services supplied by the System to the Issuer and to its inhabitants and to all customers within or without the boundaries of the Issuer, shall be sufficient to pay the Operation and Maintenance Expenses for the System, and to provide Net Revenues for each Bond Fund Year which when added to the Other Available Funds for such year (less Direct Payments) shall equal not less than 125% of the Aggregate Annual Debt Service Requirement for such year, plus an amount sufficient to fund the Debt Service Reserve Fund for the Bonds in the time, rate and manner specified herein; provided, however, that such rates must be reasonable rates for the type, kind and character of the service rendered. There shall be no free sewer treatment or collection service, and such rates shall be charged against all users of the System, excluding the Issuer. The Issuer agrees that should its annual financial statement made in accordance with the provisions of Section 6.1(d) disclose that during the period covered by such financial statement the Net Revenues and Other Available Funds were not at least equal to the above requirement, the Issuer shall request that a Qualified Engineer, independent accountant, or other independent financial consultant make recommendations as to the revision of the rates, charges and fees and that the Issuer on the basis of such recommendations will revise the schedule of rates, charges and fees and further revise Operation and Maintenance Expenses so as to produce the necessary Net Revenues and Other Available Funds as herein required.

(b) The Issuer will maintain the System in good condition and operate the same in an efficient manner.

(c) Each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider shall have a right, in addition to all other rights afforded it by the laws of the State, to apply to and obtain from any court of

competent jurisdiction such decree or order as may be necessary to require the Issuer to charge or collect reasonable rates for services supplied by the System sufficient to meet all requirements hereof and of any applicable Reserve Instrument Agreement.

(d) So long as any Principal and interest payments of the Bonds are Outstanding, or any Repayment Obligations are outstanding, proper books of record and account will be kept by the Issuer separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the System. Each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider, or any duly authorized agent or agents thereof shall have the right at all reasonable times to inspect all records, accounts and data relating thereto and to inspect the System. Except as otherwise provided herein, the Issuer further agrees that it will within one hundred eighty (180) days following the close of each Bond Fund Year cause an audit of such books and accounts to be made by an independent firm of certified public accountants, showing the receipts and disbursements for account of the Net Revenues and the System, and that such audit will be available for inspection by each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider.

All expenses incurred in compiling the information required by this Section 6.1 shall be regarded and paid as an Operation and Maintenance Expense.

Section 6.2 Lien of Bonds; Equality of Liens. The Bonds and any Security Instrument Repayment Obligations constitute an irrevocable first lien upon the Net Revenues. The Issuer covenants that the Bonds and Security Instrument Repayment Obligations hereafter authorized to be issued and from time to time outstanding are equitably and ratably secured by a lien on the Net Revenues and shall not be entitled to any priority one over the other in the application of the Net Revenues regardless of the time or times of the issuance of the Bonds or delivery of Security Instruments, it being the intention of the Issuer that there shall be no priority among the Bonds or the Security Instrument Repayment Obligations regardless of the fact that they may be actually issued and/or delivered at different times.

Any assignment or pledge from the Issuer to a Reserve Instrument Provider of (i) proceeds of the issuance and sale of Bonds, (ii) Net Revenues, or (iii) Funds established hereby, including investments, if any, thereof, is and shall be subordinate to the assignment and pledge effected hereby to the Registered Owners of the Bonds and to the Security Instrument Issuers.

Section 6.3 Payment of Principal and Interest. The Issuer covenants that it will punctually pay or cause to be paid the Principal of and interest on every Bond issued hereunder, any Security Instrument Repayment Obligations and any Reserve Instrument Repayment Obligations, in strict conformity with the terms of the Bonds, this Indenture, any Security Instrument Agreement and any Reserve Instrument Agreement, according to the true intent and meaning hereof and thereof. The Principal of and interest on the Bonds, any Security Instrument Repayment Obligations and any Reserve Instrument Repayment Obligations are payable solely from the Net Revenues (except to the extent paid out of moneys attributable to Bond proceeds or other funds created hereunder or the income from the temporary investment thereof), which Net Revenues are hereby specifically pledged and assigned to the payment thereof in the manner and to the extent herein specified, and nothing in the Bonds, this Indenture, any Security Instrument Agreement or any Reserve Instrument Agreement should be considered as pledging any other funds or assets of the Issuer for the payment thereof.

Section 6.4 Performance of Covenants; Issuer. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained herein, and in any and every Bond, Security Instrument Agreement and Reserve Instrument Agreement. The Issuer represents that it is duly authorized under the Constitution of the State to issue the Bonds authorized hereby and to execute this Indenture, that all actions on its part for the issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken, and that the Bonds in the hands of the Registered Owners thereof are and will be valid and enforceable obligations of the Issuer according to the import thereof.

Section 6.5 List of Bondholders. The Trustee will keep on file at its Corporate Trust Office a list of the names and addresses of the Registered Owners of all Bonds which are from time to time registered on the registration books in the hands of the Trustee as Registrar for the Bonds. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Issuer or by the Registered Owners (or a designated representative thereof) of 10% or more in Principal amount of Bonds then Outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

Section 6.6 Designation of Additional Paying Agents. The Issuer hereby covenants and agrees to cause the necessary arrangements to be made through the Trustee and to be thereafter continued for the designation of alternate paying

agents, if any, and for the making available of funds hereunder, but only to the extent such funds are made available to the Issuer from Bond proceeds or other Funds created hereunder or the income from the temporary investment thereof, for the payment of such of the Bonds as shall be presented when due at the Corporate Trust Office of the Trustee, or its successor in trust hereunder, or at the principal corporate trust office of said alternate Paying Agents.

Section 6.7 Tax Exemption of Bonds and Direct Payments. The Issuer recognizes that Section 149(a) of the Code requires bonds to be issued and to remain in fully registered form in order that interest thereon is excluded from gross income for federal income tax purposes under laws in force at the time the bonds are delivered. Bonds issued pursuant to this Indenture, the interest on which is excludable from gross income for federal income tax purposes, are referred to in this Section 6.7 as "tax-exempt Bonds." Pursuant to the provisions thereof, the Issuer agrees that it will not take any action to permit tax-exempt Bonds issued hereunder to be issued in, or converted into, bearer or coupon form, unless the Issuer first receives an opinion from nationally recognized bond counsel that such action will not result in the interest on any Bonds becoming includible in gross income for purposes of federal income taxes then in effect.

The Issuer's Mayor and City Recorder are hereby authorized and directed to execute such certificates as shall be necessary to establish that tax-exempt Bonds or entitled to Direct Payments issued hereunder are not "arbitrage bonds" within the meaning of Section 148 of the Code and the regulations promulgated or proposed thereunder, including Treasury Regulation Sections 1.148-1 through 1.148-11, 1.149 and 1.150-1 through 1.150-2 as the same presently exist, or may from time to time hereafter be amended, supplemented or revised. The Issuer covenants and certifies to and for the benefit of the Registered Owners of such Bonds that no use will be made of the proceeds of the issue and sale of such Bonds, or any funds or accounts of the Issuer which may be deemed to be available proceeds of such Bonds, pursuant to Section 148 of the Code and applicable regulations (proposed or promulgated) which use, if it had been reasonably expected on the date of issuance of such Bonds, would have caused the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code. Pursuant to this covenant, the Issuer obligates itself to comply throughout the term of such Bonds with the requirements of Section 148 of the Code and the regulations proposed or promulgated thereunder.

The Issuer further covenants and agrees to and for the benefit of the Registered Owners that the Issuer (i) will not take any action that would cause interest on tax-exempt Bonds issued hereunder to become includible in gross income for purposes of federal income taxation, (ii) will not take any action that would jeopardize the Direct Payments on Bonds issued under this Indenture, (iii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the tax-exempt Bonds to become includible in gross income for purposes of federal income taxation, (iv) will not omit to take or cause to be taken, in timely manner, any action, which omission would jeopardize the Direct Payments on Bonds issued under this Indenture and (v) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the excludability from gross income for purposes of federal income taxation of interest on tax-exempt Bonds and the Direct Payments on any Direct Payment Bonds issued under this Indenture.

Section 6.8 Expedient Construction. The Issuer shall complete the acquisition and construction of each Project with all practical dispatch and will cause all construction to be effected in a sound and economical manner.

Section 6.9 Management of System. The Issuer, in order to assure the efficient management and operation of the System and to assure each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider from time to time that the System will be operated on sound business principles, will employ competent and experienced management for the System, will use its best efforts to see that the System is at all times operated and maintained in first-class repair and condition.

Section 6.10 Use of Legally Available Moneys. Notwithstanding any other provisions hereof, nothing herein shall be construed to prevent the Issuer from (i) paying all or any part of the Operation and Maintenance Expenses from any funds available to the Issuer for such purpose, (ii) depositing any funds available to the Issuer for such purpose in any account in the Bond Fund for the payment of the interest on, premium, if any, or the Principal of any Bonds issued under provisions hereof or for the redemption of any such Bonds, or (iii) depositing any funds available to the Issuer for such purpose in the Reserve Instrument Fund for the payment of any amounts payable under any applicable Reserve Instrument Agreement.

Section 6.11 Payment of Taxes and Other Charges. The Issuer covenants that all taxes and assessments or other municipal or governmental charges lawfully levied or assessed upon the System or upon any part thereof or upon any income therefrom will be paid when the same shall become due, that no lien or charge upon the System or any part thereof or upon any Revenues thereof, except for the lien and charge thereon created hereunder and securing the Bonds, will be created or permitted to be created ranking equally with or prior to the Bonds (except for the lien of the parity lien thereon of Additional Bonds issued from time to time hereunder and under Supplemental Indentures hereto), and that all lawful claims and demands for

labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the System or any part thereof or upon the Revenues thereof will be paid or discharged, or adequate provision will be made for the payment or discharge of such claims and demands within 60 days after the same shall accrue; provided, however, that nothing in this Section 6.11 shall require any such lien or charge to be paid or discharged or provision made therefor so long as the validity of such lien or charge shall be contested in good faith and by appropriate legal proceedings.

Section 6.12 Insurance. The Issuer, in its operation of the System, will self-insure or carry insurance, including, but not limited to, workmen's compensation insurance and public liability insurance, in such amounts and to such extent as is normally carried by others operating public utilities of the same type. The cost of such insurance shall be considered an Operation and Maintenance Expense of the System. In the event of loss or damage, insurance proceeds shall be used first for the purpose of restoring or replacing the property lost or damaged. Any remainder shall be paid into the Bond Fund.

Section 6.13 Instruments of Further Assurance. The Issuer and the Trustee mutually covenant that they will, from time to time, each upon the written request of the other, or upon the request of a Security Instrument Issuer or a Reserve Instrument Provider, execute and deliver such further instruments and take or cause to be taken such further actions as may be reasonable and as may be required by the other to carry out the purposes hereof; provided, however, that no such instruments or action shall involve any personal liability of the Trustee or members of the governing body of the Issuer or any official thereof.

Section 6.14 Covenant Not to Sell. The Issuer will not sell, lease, mortgage, encumber, or in any manner dispose of the System or any substantial part thereof, including any and all extensions and additions that may be made thereto, until all Principal of and interest on the Bonds, and all Repayment Obligations, have been paid in full, except as follows:

(a) The Issuer may sell any portion of said property which shall have been replaced by other property of like kind and of at least equal value. The Issuer may sell, lease, abandon, mortgage, or otherwise dispose of any portion of the property which shall cease to be necessary for the efficient operation of the System the disposition of which will not, as reasonably determined by the governing body of the Issuer, result in a material reduction in Net Revenues in any year; and the value of which, as reasonably determined by the governing body of the Issuer (together with any other property similarly disposed of within the 12 calendar months preceding the proposed disposition) does not exceed 10% of the value of the System assets, provided, however, that in the event of any sale or lease as aforesaid, the proceeds of such sale or lease not needed to acquire other System property shall be paid into the Bond Fund.

(b) The Issuer may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System, provided that any such lease, contract, license, arrangement, easement or right does not impede the operation of the System; and any payment received by the Issuer under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the System or any part thereof shall constitute Revenues.

Section 6.15 Billing Procedure. The Issuer shall submit billing for services rendered at least once every three months to persons who are liable for the payment of charges for such services, and shall require that each such bill be paid in full as a unit, and refuse to permit payment of a portion without payment of the remainder. Any amount thereof which is not paid within twenty (20) days from the date it is mailed to said persons shall be deemed delinquent and shall be subject to a penalty of \$10.00 (as such penalty may be modified from time to time by ordinance of the Issuer). If any billing remains delinquent past the 25th day of the month after said billing is sent, water services shall be subject to shutoff.

Section 6.16 Annual Budget. Prior to the beginning of each Fiscal Year the Issuer shall prepare and adopt a budget for the System for the next ensuing Fiscal Year. At the end of the first six months of each Fiscal Year, the Issuer shall review its budget for such Fiscal Year, and in the event actual Revenues, Operation and Maintenance Expenses or other requirements do not substantially correspond with such budget, the Issuer shall prepare an amended budget for the remainder of such Fiscal Year. The Issuer also may adopt at any time an amended budget for the remainder of the then current Fiscal Year.

ARTICLE VII

EVENTS OF DEFAULT; REMEDIES

Section 7.1 Events of Default. Each of the following events is hereby declared an "Event of Default":

- (a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, or
- (b) if payment of the Principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund hereunder or otherwise; or
- (c) if the Issuer shall, in the reasonable opinion of any Registered Owner of not less than 50% in aggregate Principal amount of the Bonds then Outstanding hereunder, for any reason be rendered incapable of fulfilling its obligations hereunder; or
- (d) if an order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or custodian for any of the Revenues of the Issuer, or approving a petition filed against the Issuer seeking reorganization of the Issuer under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the Issuer shall not be vacated or discharged or stayed on appeal within 30 days after the entry thereof; or
- (e) if any proceeding shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a composition between the Issuer and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or
- (f) if (i) the Issuer is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the Issuer, a receiver, trustee or custodian of the Issuer or of the whole or any part of the Issuer's property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or
- (g) if the Issuer shall file a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or
- (h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Issuer or of the whole or any substantial part of the property of the Issuer, and such custody or control shall not be terminated within 30 days from the date of assumption of such custody or control; or
- (i) if the Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds, or herein or any Supplemental Indenture hereof on the part of the Issuer to be performed, other than as set forth above in this Section 7.1, and such Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the Issuer by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate Principal amount of the Bonds then Outstanding hereunder; or
- (j) any event specified in a Supplemental Indenture as constituting an Event of Default.

Section 7.2 Remedies; Rights of Registered Owners. Upon the occurrence of an Event of Default, the Trustee, upon being indemnified pursuant to Section 8.1 hereof, may pursue any available remedy by suit at law or in equity to enforce the payment of the Principal of, premium, if any, and interest on the Bonds then Outstanding or to enforce any obligations of the Issuer hereunder.

If an Event of Default shall have occurred, and if requested so to do by (i) Registered Owners of not less than 25% in aggregate Principal amount of the Bonds then Outstanding, (ii) Security Instrument Issuers at that time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 25% in aggregate Principal amount of Bonds at the time Outstanding, or (iii) any combination of Registered Owners and Security Instrument Issuers described in (i) and (ii) above representing not less than 25% in aggregate Principal amount of Bonds at the time Outstanding, and if indemnified as provided in Section 8.1 hereof, the Trustee shall be obligated to exercise such one or

more of the rights and powers conferred by this Section 7.2 as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Registered Owners and the Security Instrument Issuers.

No remedy by the terms hereof conferred upon or reserved to the Trustee (or to the Registered Owners or to the Security Instrument Issuers) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee, the Registered Owners or the Security Instrument Issuers or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default hereunder, whether by the Trustee or by the Registered Owners or the Security Instrument Issuers, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Section 7.3 Right of Registered Owners to Direct Proceedings. Anything herein to the contrary notwithstanding, unless a Supplemental Indenture provides otherwise, either (i) the Registered Owners of a majority in aggregate Principal amount of the Bonds then Outstanding, (ii) the Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding, or (iii) any combination of Registered Owners and Security Instrument Issuers described in (i) and (ii) above representing not less than 50% in aggregate Principal amount of Bonds at the time Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions hereof, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 7.4 Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article VII shall, after payment of Trustee's fees and expenses including the fees and expenses of its counsel for the proceedings resulting in the collection of such moneys and of the expenses and liabilities and advances incurred or made by the Trustee and any other outstanding fees and expenses of the Trustee relating to its duties under this Indenture, be deposited in the Bond Fund and all moneys so deposited in the Bond Fund shall be applied in the following order:

(a) To the payment of the Principal of, premium, if any, and interest then due and payable on the Bonds and the Security Instrument Repayment Obligations as follows:

(i) Unless the Principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST—To the payment to the persons entitled thereto of all installments of interest then due on the Bonds and the interest component of any Security Instrument Repayment Obligations then due, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND—To the payment to the persons entitled thereto of the unpaid Principal of and premium, if any, on the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions hereof), in the order of their due dates, and the Principal component of any Security Instrument Repayment Obligations then due, and, if the amount available shall not be sufficient to pay in full all the Bonds and the Principal component of any Security Instrument Repayment Obligations due on any particular date, then to the payment ratably, according to the amount of Principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(ii) If the Principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the Principal and interest then due and unpaid upon the Bonds and Security Instrument Repayment Obligations, without preference or priority of Principal over interest or of interest

over Principal, or of any installment of interest over any other installment of interest, or of any Bond or Security Instrument Repayment Obligation over any other Bond or Security Instrument Repayment Obligation, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or privilege.

(iii) To the payment of all obligations owed to all Reserve Instrument Providers, ratably, according to the amounts due without any discrimination or preference under any applicable agreement related to any Reserve Instrument Agreement.

Whenever moneys are to be applied pursuant to the provisions of this Section 7.4, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amounts of such moneys available for such application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of Principal paid on such dates shall cease to accrue.

Section 7.5 Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings related thereto and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Registered Owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the Registered Owners of the Outstanding Bonds.

Section 7.6 Rights and Remedies of Registered Owners. Except as provided in the last sentence of this Section 7.6, no Registered Owner of any Bond or Security Instrument Issuer shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust thereof or for the appointment of a receiver or any other remedy hereunder, unless an Event of Default has occurred of which the Trustee has been notified as provided in Section 8.1(g), or of which by said Section it is deemed to have notice, nor unless also Registered Owners of 25% in aggregate Principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 25% in aggregate Principal amount of Bonds at the time Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in Section 8.1 hereof nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinabove granted, or to institute such action, suit or proceeding in its own name or names. Such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trust hereof, and to any action or cause of action for the enforcement hereof, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Registered Owner of the Bonds or Security Instrument Issuer shall have any right in any manner whatsoever to affect, disturb or prejudice the lien hereof by its action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Registered Owners of all Bonds then Outstanding and all Security Instrument Issuers at the time providing Security Instruments. Nothing herein contained shall, however, affect or impair the right of any Registered Owner or Security Instrument Issuer to enforce the covenants of the Issuer to pay the Principal of, premium, if any, and interest on each of the Bonds issued hereunder held by such Registered Owner and Security Instrument Repayment Obligations at the time, place, from the source and in the manner in said Bonds or Security Instrument Repayment Obligations expressed.

Section 7.7 Termination of Proceedings. In case the Trustee, any Registered Owner or any Security Instrument Issuer shall have proceeded to enforce any right hereunder by the appointment of a receiver, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Registered Owner, or Security Instrument Issuer, then and in every such case the Issuer and the Trustee shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 7.8 Waivers of Events of Default. Subject to Section 8.1(g) hereof, the Trustee may in its discretion, waive any Event of Default hereunder and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate Principal amount of all the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding in respect of which an Event of Default in the payment of Principal and interest exist, or (b) a majority in aggregate Principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are

not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any default in the payment of the Principal of any Bonds at the date that a Principal Installment is due, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of Principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee, the Registered Owners and the Security Instrument Issuers shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Section 7.9 Cooperation of Issuer. In the case of any Event of Default hereunder, the Issuer shall cooperate with the Trustee and use its best efforts to protect the Registered Owners, Reserve Instrument Providers and the Security Instrument Issuers.

ARTICLE VIII

THE TRUSTEE

Section 8.1 Acceptance of the Trusts. The Trustee accepts the trusts imposed upon it hereby, and agrees to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee.

(a) The Trustee may execute any of the trusts or powers thereof and perform any of its duties by or through attorneys, agents, receivers or employees and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of counsel. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the certificate of the Trustee endorsed on the Bonds), or collecting any insurance moneys, or for the validity of the execution by the Issuer of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer; but the Trustee may require of the Issuer full information and advice as to the performance of the covenants, conditions and agreements aforesaid and as to the condition of the property herein conveyed. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the provisions hereof. The Trustee shall have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Bonds.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder, except as specifically set forth herein. The Trustee may become the owner of Bonds secured hereby with the same rights which it would have if not Trustee.

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant hereto upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Registered Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(e) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Issuer by an Authorized Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event

of Default of which the Trustee has been notified as provided in Section 8.1(g) herein, or of which by said Paragraph it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an Authorized Representative of the Issuer under its seal to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(f) The permissive right of the Trustee to do things enumerated herein shall not be construed as a duty and the Trustee shall not be answerable for other than its gross negligence or willful misconduct.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder, except an Event of Default described in Section 7.1(a) or (b), unless the Trustee shall be specifically notified in writing of such Default by the Issuer, a Security Instrument Issuer or by the Registered Owners of at least 25% in the aggregate Principal amount of any Series of the Bonds then Outstanding and all notices or other instruments required hereby to be delivered to the Trustee must, in order to be effective, be delivered at the Corporate Trust Office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(h) At any and all reasonable times and upon reasonable prior written notice, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect all books, papers and records of the Issuer pertaining to the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything elsewhere herein contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview hereof, any showing, certificates, opinions, appraisals, or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee, deemed desirable for the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(k) All moneys received by the Trustee or any Paying Agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(l) If any Event of Default hereunder shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it hereby and shall use the same degree of care as a prudent man would exercise or use in the circumstances in the conduct of his own affairs.

(m) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Registered Owners, Security Instrument Issuers or Reserve Instrument Providers, pursuant to the provisions of this Indenture, unless such Registered Owners, Security Instrument Issuers or Reserve Instrument Providers shall have offered to the Trustee security or indemnity acceptable to the Trustee against the costs, expenses and liabilities which may be incurred therein or thereby.

(n) The Trustee shall not be required to expend, advance, or risk its own funds or incur any financial liability in the performance of its duties or in the exercise of any of its rights or powers.

Section 8.2 Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its services rendered as Trustee hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent and Registrar for the Bonds as hereinabove provided. Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or Principal of, or premium, if any, on any Bond for the foregoing advances,

fees, costs and expenses incurred. The Trustee's rights under this Section 8.2 will not terminate upon its resignation or removal or upon payment of the Bonds and discharge of the Indenture.

Section 8.3 Notice to Registered Owners if Event of Default Occurs. If an Event of Default occurs of which the Trustee is by Section 8.1(g) hereof required to take notice or if notice of an Event of Default be given to the Trustee as in said Section provided, then the Trustee shall give written notice thereof by registered or certified mail or sent by facsimile to all Security Instrument Issuers or to Registered Owners of all Bonds then Outstanding shown on the registration books of the Bonds kept by the Trustee as Registrar for the Bonds, as applicable.

Section 8.4 Intervention by Trustee. In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interest of Registered Owners of the Bonds, the Trustee may intervene on behalf of such Owners and shall do so if requested in writing by the Registered Owners of at least 25% in aggregate Principal amount of the Bonds then Outstanding. The rights and obligations of the Trustee under this Section 8.4 are subject to the approval of a court of competent jurisdiction.

Section 8.5 Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed of conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 8.6 Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving written notice to the Issuer, served personally or by registered or certified mail, and by registered or certified mail to each Reserve Instrument Issuer, Security Instrument Issuer and Registered Owner of Bonds then Outstanding, and such resignation shall take effect upon the appointment of and acceptance by a successor Trustee by the Registered Owners or by the Issuer as provided in Section 8.8 hereof; provided, however that if no successor Trustee has been appointed within 60 days of the date of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it deems proper and prescribes, appoint a successor Trustee.

Section 8.7 Removal of the Trustee. The Trustee may be removed at any time, by an instrument or concurrent instruments (i) in writing delivered to the Trustee, and signed by the Issuer, unless there exists any Event of Default, or (ii) in writing delivered to the Trustee and the Issuer, and signed by the Registered Owners of a majority in aggregate Principal amount of Bonds then Outstanding if an Event of Default exists; provided that such instrument or instruments concurrently appoint a successor Trustee meeting the qualifications set forth herein.

Section 8.8 Appointment of Successor Trustee; Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Issuer (or, if an Event of Default exists, by the Registered Owners of a majority in aggregate Principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such Owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of such vacancy the Issuer by an instrument executed by an Authorized Representative under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Registered Owners in the manner above provided; and any such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee so appointed by such Registered Owners). Every successor Trustee appointed pursuant to the provisions of this Section 8.8 or otherwise shall be a trust company or bank in good standing having a reported capital and surplus of not less than \$50,000,000.

Each Reserve Instrument Provider and Security Instrument Issuer shall be notified by the Issuer immediately upon the resignation or termination of the Trustee and provided with a list of candidates for the office of successor Trustee.

Section 8.9 Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Issuer, or of the successor Trustee, execute and deliver an instrument transferring to such successor

Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article VIII shall be filed or recorded by the successor Trustee in each recording office, if any, where the Indenture shall have been filed and/or recorded.

Section 8.10 Trustee Protected in Relying Upon Indenture, Etc. The indentures, opinions, certificates and other instruments provided for herein may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder.

Section 8.11 Successor Trustee as Trustee, Paying Agent and Registrar. In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or been removed shall cease to be Trustee hereunder and Registrar for the Bonds and Paying Agent for Principal of, premium, if any, and interest on the Bonds, and the successor Trustee shall become such Trustee, Registrar and Paying Agent for the Bonds.

Section 8.12 Trust Estate May Be Vested in Separate or Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation hereunder, and in particular in case of the enforcement of remedies on Event of Default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies herein granted to the Trustee or hold title to the trust estate, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 8.12 are adapted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended hereby to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vested in such separate or co-trustee, but only to the extent necessary to enable the separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the Issuer be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request of such trustee or co-trustee, be executed, acknowledged and delivered by the Issuer. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

Section 8.13 Annual Accounting. The Trustee shall prepare an annual accounting for each Bond Fund Year by the end of the month following each such Bond Fund Year showing in reasonable detail all financial transactions relating to the funds and accounts held by the Trustee hereunder during the accounting period and the balance in any funds or accounts created hereby as of the beginning and close of such accounting period, and shall mail the same to the Issuer, and to each Reserve Instrument Provider requesting the same. On or before the end of the month following each Bond Fund Year, the Trustee shall, upon written request, provide to the Issuer and the Issuer's independent auditor representations as to the accuracy of the facts contained in the financial reports concerning the transactions described herein that were delivered by the Trustee during the Bond Fund Year just ended.

Section 8.14 Indemnification. To the extent permitted by law and subject to the provisions of Section 8.1(a) of this Indenture, the Issuer shall indemnify and save Trustee harmless against any liabilities it may incur in the exercise and performance of its powers and duties hereunder, other than those due to its own negligence or willful misconduct. The indemnification provided to the Trustee under this Section 8.14 will not terminate upon its resignation or removal or upon payment of the Bonds and discharge of the Indenture.

Section 8.15 Trustee's Right to Own and Deal in Bonds. The bank or trust company acting as Trustee under this Indenture, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued hereunder and secured by this Indenture, and may join in any action which any Bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee under this Indenture.

Section 8.16 Direct Payment Authorization. The Issuer hereby authorizes and directs the Trustee to take all necessary actions, if applicable, to effectively carry out the duties required to apply for and accept Direct Payments from the Internal Revenue Service on behalf of the Issuer under Sections 54AA and 6431 of the Code or such other tax provisions of substantially similar nature which may be hereafter authorized, including, but not limited to, filing and signing IRS Form 8038-CP, receiving the Direct Payment on the Issuer's behalf, and using such Direct Payment to pay Debt Service on the Bonds. For fixed rate bonds, the Trustee shall file the 8038-CP at least 60 days (but not more than 90 days) before the relevant Interest Payment Date (unless otherwise directed by a change in regulations). For variable rate bonds, the Trustee shall file the 8038-CP for reimbursements in arrears within 25 days after the last Interest Payment Date within the quarterly period for which reimbursement is being requested (unless otherwise directed by a change in regulations). The Issuer hereby covenants that it will deposit the Direct Payments with the Trustee for use in paying Debt Service on the Bonds.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.1 Supplemental Indentures Not Requiring Consent of Registered Owners, Security Instrument Issuers and Reserve Instrument Providers. The Issuer and the Trustee may, without the consent of, or notice to, any of the Registered Owners, Reserve Instrument Providers or Security Instrument Issuers, enter into an indenture or indentures supplemental hereto, as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

- (a) To provide for the issuance of Additional Bonds in accordance with the provisions of Section 2.13 hereof;
- (b) To cure any ambiguity or formal defect or omission herein;
- (c) To grant to or confer upon the Trustee for the benefit of the Registered Owners, any Security Instrument Issuers and any Reserve Instrument Providers any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners or any of them which shall not adversely affect the interests of any Reserve Instrument Providers or Security Instrument Issuers without its consent;
- (d) To subject to this Indenture additional Revenues or other revenues, properties, collateral or security;
- (e) To provide for the issuance of the Bonds pursuant to a book-entry system or as uncertificated registered public obligations pursuant to the provisions of the Registered Public Obligations Act, Title 15, Chapter 7 of the Utah Code, or any successor provisions of law;
- (f) To make any change which shall not materially adversely affect (determined as if there were no Security Instrument in place) the rights or interests of the Owners of any Outstanding Bonds, any Security Instrument Issuers or any Reserve Instrument Provider, requested or approved by a Rating Agency in order to obtain or maintain any rating on the Bonds or requested or approved by a Security Instrument Issuer or Reserve Instrument Provider in order to insure or provide other security for any Bonds;
- (g) To make any change necessary (A) to establish or maintain the excludability from gross income for federal income tax purposes of interest on any Series of Bonds as a result of any modifications or amendments to Section 148 of the Code or interpretations by the Internal Revenue Service of Section 148 of the Code or of regulations proposed or promulgated thereunder, or (B) to comply with the provisions of Section 148(f) of the Code, including provisions for the payment of all or a portion of the investment earnings of any of the Funds established hereunder to the United States of America or (C) to establish or maintain the Direct Payments related to any Series of Bonds;
- (h) If the Bonds affected by any change are rated by a Rating Agency, to make any change which does not result in a reduction of the rating applicable to any of the Bonds so affected, provided that if any of the Bonds so affected are secured by a Security Instrument, such change must be approved in writing by the related Security Instrument Issuer;

(i) If the Bonds affected by any change are secured by a Security Instrument, to make any change approved in writing by the related Security Instrument Issuer, provided that if any of the Bonds so affected are rated by a Rating Agency, such change shall not result in a reduction of the rating applicable to any of the Bonds so affected;

(j) Unless otherwise provided by a Supplemental Indenture authorizing a Series of Bonds, the designation of the facilities to constitute a Project by such Supplemental Indenture may be modified or amended if the Issuer delivers to the Trustee (1) a Supplemental Indenture designating the facilities to comprise the Project, (2) an opinion of Bond Counsel to the effect that such amendment will not adversely affect the tax-exempt status (if applicable) or validity of the Bonds and (3) a certificate of the Issuer to the effect that such amendment will not adversely affect the Issuer's ability to comply with the provisions of the Indenture; and

(k) To correct any references contained herein to provisions of the Act, the Code or other applicable provisions of law that have been amended so that the references herein are correct.

Section 9.2 Supplemental Indentures Requiring Consent of Registered Owners and Reserve Instrument Providers; Waivers and Consents by Registered Owners. Exclusive of Supplemental Indentures covered by Section 9.1 hereof and subject to the terms and provisions contained in this Section 9.2, and not otherwise, the Registered Owners of 66 2/3% in aggregate Principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to (i) consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein or in any Supplemental Indenture, or (ii) waive or consent to the taking by the Issuer of any action prohibited, or the omission by the Issuer of the taking of any action required, by any of the provisions hereof or of any indenture supplemental hereto; provided, however, that nothing in this Section 9.2 contained shall permit or be construed as permitting (a) an extension of the date that a Principal Installment is due at maturity or mandatory redemption or reduction in the Principal amount of, or reduction in the rate of or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bond, without the consent of the Registered Owner of such Bond, or (b) a reduction in the amount or extension of the time of any payment required by any Fund established hereunder applicable to any Bonds without the consent of the Registered Owners of all the Bonds which would be affected by the action to be taken, or (c) a reduction in the aforesaid aggregate Principal amount of Bonds, the Registered Owners of which are required to consent to any such waiver or Supplemental Indenture, or (d) affect the rights of the Registered Owners of less than all Bonds then outstanding, without the consent of the Registered Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken. In addition, no supplement hereto shall modify the rights, duties or immunities of the Trustee, without the written consent of the Trustee. If a Security Instrument or a Reserve Instrument is in effect with respect to any Series of Bonds Outstanding and if a proposed modification or amendment would affect such Series of Bonds, then, except as provided in Section 9.1 hereof, neither this Indenture nor any Supplemental Indenture with respect to such Series of Bonds shall be modified or amended at any time without the prior written consent of the related Security Instrument Issuer or Reserve Instrument Provider, as applicable.

If at any time the Issuer shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section 9.2, the Trustee, shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given by registered or certified mail to the Bondholder of each Bond shown by the list of Bondholders required by the terms of Section 2.6 hereof to be kept at the office of the Trustee. Such notices shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Corporate Trust Office of the Trustee for inspection by all Bondholders. At the time such notices are mailed by the Trustee, the Issuer may, but is not required to, designate a reasonable time period for receipt of such consents and shall include such requirement in the notices sent to the Bondholders. If the Bondholders of not less than 66 2/3% in aggregate Principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as is in this Article IX permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Section 9.3 Opinion of Counsel as to Supplemental Indenture. In executing any Supplemental Indenture, the Trustee shall receive and will be fully protected in conclusively relying upon an opinion of counsel stating that the execution of such Supplemental Indenture is authorized or permitted by this Indenture and is the legal, valid and binding obligation of the Issuer, enforceable against it in accordance with its terms.

ARTICLE X

DISCHARGE OF INDENTURE

If the Issuer shall pay or cause to be paid, or there shall be otherwise paid or provision for payment made, to or for the Registered Owners of the Bonds, the Principal of and interest due or to become due thereon at the times and in the manner stipulated therein, and shall pay or cause to be paid to the Trustee all sums of moneys due or to become due according to the provisions hereof, and to all Security Instrument Issuers and all Reserve Instrument Providers all sums of money due or to become due according to the provisions of any Security Instrument Agreements, Reserve Instrument Agreements, as applicable, then these presents and the estate and rights hereby granted shall cease, terminate and be void, whereupon the Trustee shall cancel and discharge the lien hereof, and release, assign and deliver unto the Issuer any and all the estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee, held by the Trustee, or otherwise subject to the lien hereof, except moneys or securities held by the Trustee for the payment of the Principal of and interest on the Bonds, the payment of amounts pursuant to any Security Instrument Agreements or the payment of amounts pursuant to any Reserve Instrument Agreements.

Any Bond shall be deemed to be paid within the meaning of this Article X when payment of the Principal of such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided herein, or otherwise), either (a) shall have been made or caused to have been made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with or for the benefit of the Trustee, in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment, or (ii) Direct Obligations, maturing as to Principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee and any paying agent pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits hereof, except for the purposes of any such payment from such moneys or Direct Obligations.

Any discharge of the lien of the Indenture shall also be subject to any applicable terms of a related Supplemental Indenture.

Notwithstanding the foregoing, in the case of Bonds, which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding Paragraph shall be deemed a payment of such Bonds as aforesaid until the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

- (a) stating the date when the Principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted hereby);
- (b) directing the Trustee to call for redemption pursuant hereto any Bonds to be redeemed prior to maturity pursuant to the provisions of this Indenture; and
- (c) if the Bonds to be redeemed will not be redeemed within 90 days of such deposit, directing the Trustee to mail, as soon as practicable, in the manner prescribed by Article II hereof, a notice to the Registered Owners of such Bonds and to each related Security Instrument Issuer that the deposit required by this Article X has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Article X and stating the maturity or redemption date upon which moneys are to be available for the payment of the Principal or redemption price, if applicable, on said Bonds as specified in Subparagraph (a) above.

Any moneys so deposited with the Trustee as provided in this Article X may at the direction of the Issuer also be invested and reinvested in Direct Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Direct Obligations in the hands of the Trustee pursuant to this Article X which is not required for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in that fund; provided, however, that before any excess moneys shall be deposited in the Bond Fund, the Trustee shall first obtain a written verification from a certified public accountant that the moneys remaining on deposit with the Trustee and invested in Direct Obligations after such transfer to the Bond Fund shall be sufficient in amount to pay Principal and interest on the Bonds when due and payable.

Notwithstanding any provision of any other Article hereof which may be contrary to the provisions of this Article X, all moneys or Direct Obligations set aside and held in trust pursuant to the provisions of this Article X for the payment of Bonds

(including interest thereon) shall be applied to and used solely for the payment of the particular Bonds (including interest thereon) with respect to which such moneys or Direct Obligations have been so set aside in trust.

Anything in Article IX hereof to the contrary notwithstanding, if moneys or Direct Obligations have been deposited or set aside with the Trustee pursuant to this Article X for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this Article X shall be made without the consent of the Registered Owner of each Bond affected thereby.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Consents, Etc., of Registered Owners. Any consent, request, direction, approval, objection or other instrument required hereby to be executed by the Registered Owners, Security Instrument Issuers or Reserve Instrument Providers may be in any number of concurrent writings of similar tenor and may be executed by such Registered Owners, Security Instrument Issuers or Reserve Instrument Providers in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent, if made in the following manner, shall be sufficient for any of the purposes hereof, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely, the fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution. The amount of Bonds held by any person executing such instrument as a Registered Owner of Bonds and the fact, amount and numbers of the Bonds held by such person and the date of his holding the same shall be proved by the registration books of the Trustee.

Section 11.2 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person other than the parties hereto, the Registered Owners of the Bonds, any Security Instrument Issuer and any Reserve Instrument Provider, any legal or equitable right, remedy or claim under or in respect hereto or any covenants, conditions and provisions herein contained, this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, the Registered Owners of the Bonds, any Security Instrument Issuer and the Reserve Instrument Providers as herein provided.

Section 11.3 Severability. If any provision hereof shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or Sections herein contained, shall not affect the remaining portions hereof, or any part thereof.

Section 11.4 Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper on the Issuer if the same shall be duly mailed by registered or certified mail or sent by facsimile addressed as to it at 40 South Main Street, Spanish Fork City, Utah 84660, Attention: Mayor, or to such address as the Issuer may from time to time file with the Trustee. It shall be sufficient service of any notice or other paper on the Trustee if the same shall be duly mailed by registered or certified mail or sent by facsimile addressed to it at One South Main Street, 12th Floor, Salt Lake City, UT 84133, Attention: Corporate Trust Department, or to such other address as the Trustee may from time to time file with the Issuer.

Section 11.5 Trustee as Paying Agent and Registrar. The Trustee is hereby designated and agrees to act as principal Paying Agent and Registrar for and in respect to the Bonds.

Section 11.6 Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.7 Applicable Law. THIS INDENTURE SHALL BE GOVERNED EXCLUSIVELY BY THE APPLICABLE LAWS OF THE STATE.

Section 11.8 Immunity of Officers and Directors. No recourse shall be had for the payment of the Principal of or premium or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement herein contained against any past, present or future officer, or other public official, employee, or agent of the Issuer.

Section 11.9 Holidays. If any date for the payment of Principal of or interest on the Bonds is not a Business Day, then such payment shall be due on the first Business Day thereafter and no interest shall accrue for the period between such date and such first Business Day thereafter.

Section 11.10 Effective Date. This Indenture shall become effective upon the issuance and delivery of the Initial Bonds.

Section 11.11 Compliance with Act. It is hereby declared by the Issuer's Governing Body that it is the intention of the Issuer by the execution of this Indenture to comply in all respects with the provisions of the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be executed as of the date first written above.

SPANISH FORK CITY, UTAH, as Issuer

(SEAL)

By: _____
Mayor

ATTEST:

By: _____
City Recorder

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, as Trustee

By: _____
Title: _____

EXHIBIT A

FORM OF REQUISITION

Re: Spanish Fork City, Utah, Sewer Revenue Bonds, _____ in the sum of \$ _____

Zions Bancorporation, National Association
One South Main Street, 12th Floor
Salt Lake City, Utah 84133

You are hereby authorized to disburse from the Series _____ Account of the Acquisition/Construction Fund with regard to the above-referenced bond issue the following:

REQUISITION NUMBER: _____

NAME AND ADDRESS OF PAYEE: _____

AMOUNT: \$ _____

PURPOSE FOR WHICH EXPENSE HAS BEEN INCURRED: _____

Each obligation, item of cost, or expense mentioned herein has been properly incurred, is a proper charge against the Series _____ Account of the Acquisition/Construction Fund based upon audited, itemized claims substantiated in support thereof (evidence of such support not herein required by the Trustee), is justly due and owing and constitutes a Cost of a Project and has not been the basis for a previous withdrawal.

The amount remaining in the Series _____ Account of the Acquisition/Construction Fund after such disbursement is made, together with the amount of unencumbered Net Revenues, if any, which the Issuer reasonably estimates will be deposited in the Series _____ Account of the Acquisition/Construction Fund during the period of construction of the Project from the investment of moneys on deposit in the Series _____ Account of the Acquisition/Construction Fund, will, together with any other moneys lawfully available or expected to be lawfully available for payment of the Cost of the Project and after payment of the amount requested in said requisition, be sufficient to pay the Cost of Completion for the Project in accordance with the plans and specifications therefor then in effect; it being understood that no moneys from the Series _____ Account of the Acquisition/Construction Fund may be expended unless, after giving effect thereto, the funds remaining in the Series _____ Account of the Acquisition/Construction Fund, together with such other funds and income and lawfully available moneys, are sufficient to pay the Cost of Completion for the Project.

DATED: _____ By: _____
Its: _____

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon the issuance of the Series 2024A Bonds, Gilmore & Bell, P.C., Bond Counsel to the City, proposes to issue its approving opinion in substantially the following form:

We have acted as bond counsel to Spanish Fork, Utah (the “Issuer”) in connection with the issuance by the Issuer of its \$_____ Sewer Revenue Bonds, Series 2024A (the “Series 2024A Bonds”). The Series 2024A Bonds are being issued pursuant to (i) a resolution of the city council of the Issuer adopted on December 12, 2023; (ii) a General Indenture of Trust dated as of August 1, 2020 (the “General Indenture”), as previously supplemented and as further supplemented by a Second Supplemental Indenture of Trust dated as of _____ 1, 2024 (the “Second Supplemental Indenture” and together with the General Indenture, the “Indenture”), each by and between the Issuer and Zions Bancorporation, National Association, as trustee; and (iii) the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended, and other applicable provisions of law. The Series 2024A Bonds are being issued for the purposes of (a) financing construction of improvements to the City’s sewer system and all related improvements, and (b) paying costs of issuance with respect to the Series 2024A Bonds.

Our services as bond counsel have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the Series 2024A Bonds under the applicable laws of the State of Utah and to a review of the transcript of such proceedings and certificates. As to questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Indenture has been authorized, executed and delivered by the Issuer, constitutes a valid and binding obligation of the Issuer enforceable against the Issuer, and creates a valid lien on the Net Revenues (as defined in the Indenture) and the other amounts pledged thereunder for the security of the Series 2024A Bonds.

2. The Series 2024A Bonds are valid and binding special obligations of the Issuer payable solely from the Net Revenues and other amounts pledged therefor in the Indenture, and the Series 2024A Bonds do not constitute a general obligation indebtedness of the Issuer within the meaning of any State of Utah constitutional provision or statutory limitation, nor a charge against the full faith and credit or taxing power of the Issuer.

3. The interest on the Series 2024A Bonds [including any original discount properly allocable to an owner thereof] (i) is excludable from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2024A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Series 2024A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2024A Bonds.

4. The interest on the Series 2024A Bonds is exempt from State of Utah individual income taxes.

We express no opinion herein regarding the accuracy, completeness or sufficiency of the Official Statement or any other offering material relating to the Series 2024A Bonds.

The rights of the holders of the Series 2024A Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable, and their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by Spanish Fork City, Utah (the “City”), in connection with the issuance of the City’s Sewer Revenue Bonds, Series 2024A in the aggregate principal amount of \$_____ (the “Bonds”). The Bonds are being issued pursuant to (i) the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the “Act”); (ii) a resolution of the City adopted on December 12, 2023; (iii) a General Indenture of Trust dated as of August 1, 2020, as previously supplemented and as further supplemented by a Second Supplemental Indenture of Trust dated as of _____ 1, 2024 (together, the “Indenture”), each between the City and Zions Bancorporation, National Association, as trustee (the “Trustee”); and (iv) other provisions of law. The Bonds are being issued for the purpose of (a) financing the construction of improvements to the City’s sewer system and all related improvements, and (b) paying costs of issuance with respect to the Bonds. The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the City for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (each as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture or parenthetically defined herein, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report of the City” means the Annual Report of the City provided by the City pursuant to, and as described in Sections 3 and 4 of this Disclosure Undertaking.

“Beneficial Owner” shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any of its successors or assigns.

“Financial Obligation” means a (a) debt obligation, (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) guarantee of (a) or (b) in this definition; provided however, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

“MSRB” shall mean the Municipal Securities Rulemaking Board, the address of which is 1300 I Street, NW, Suite 1000, Washington DC 20005-3314; (202) 838-1500; fax (202) 898-1500, and the website address of which is www.msrb.org and www.emma.org (for municipal disclosures and market data).

“Official Statement” shall mean the Official Statement of the City dated _____, 2024, relating to the Bonds.

“Participating Underwriter” shall mean the original underwriter or purchaser of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall prepare an Annual Report of the City and shall, or shall cause the Dissemination Agent to, on or before February 5 of each year (not more than 220 days following the end of each fiscal year of the City), commencing with the fiscal year ended June 30, 2024, provide or cause to be provided to the MSRB, the Annual Report of the City which is consistent with the requirements of Section 4 of this Disclosure Undertaking. Not later than fifteen (15) business days prior to said date, the City shall provide the Annual Report of the City to the Dissemination Agent. In each case, the Annual Report of the City may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Undertaking; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report of the City, and later than the date required above for the filing of the Annual Report of the City if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for Listed Event under Section 5(f).

(b) If by fifteen (15) business days prior to the date specified in Section 3(a) for providing the Annual Report of the City to the MSRB, the Dissemination Agent has not received a copy of the Annual Report of the City, the Dissemination Agent shall contact the City to determine if the City is in compliance with Section 3(a).

(c) If the Dissemination Agent is unable to verify that the Annual Report of the City has been provided to the MSRB by the dates required in Sections 3(a) and 3(b), the Dissemination Agent, or if there is no Dissemination Agent, the City shall, in a timely manner, send a notice to the MSRB.

(d) The Dissemination Agent shall:

(i) determine each year prior to the dates for providing the Annual Report of the City, the website address to which the MSRB directs the Annual Report of the City to be submitted; and

(ii) file reports with the City, as appropriate, certifying that the Annual Report of the City has been provided pursuant to this Disclosure Undertaking, stating the date it was provided and listing the website address to which it was provided.

Section 4. Content of Annual Reports. The Annual Report of the City shall contain or incorporate by reference the following:

(a) A copy of its annual financial statements prepared in accordance with generally accepted accounting principles and audited by a certified public accountant or a firm of certified public accounts. If the City's audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report of the City and audited financial statements will be provided when and if available.

(b) An update of the information of the type contained in the Official Statement in the tables under the headings (as the same remains historically available):

“HISTORICAL DEBT SERVICE COVERAGE;” “THE SYSTEM—Capacity and Demand (residential and commercial connections only),” “—Major Users,” “—Historical Five Year Financial Summaries of the System;” “—Taxable, Fair Market and Market Value of Property,” “—Historical Summaries of Taxable Value of Property of the City;” “DEBT STRUCTURE OF SPANISH FORK CITY, UTAH—Outstanding Sewer Revenue Bonded Indebtedness,” “—Outstanding Sales Tax Revenue Bonded Indebtedness,” “—Outstanding Water Revenue Bonded Indebtedness,” “—Debt Service Schedule of Outstanding Sewer Revenue Bonds by Fiscal Year.”

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City, as appropriate or related public entities, which have been submitted to

the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City, as appropriate, shall clearly identify each such other document so incorporated by the reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds in a timely manner but not more than ten (10) business days after the event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;
- (vi) Defeasances;
- (vii) Tender offers;
- (viii) Bankruptcy, insolvency, receivership or similar proceedings;
- (ix) Rating changes; or
- (x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the City shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds in a timely manner not more than ten (10) business days after the Listed Event, if material:

- (i) Mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;
- (ii) Appointment of a successor or additional trustee or the change of the name of a trustee;
- (iii) Non-payment related defaults;
- (iv) Modifications to the rights of the owners of the Bonds;
- (v) Bond calls;
- (vi) Release, substitution or sale of property securing repayment of the Bonds; or
- (vii) Incurrence of a Financial Obligation of the City or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event under 5(b), whether because of a notice from the Trustee or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City has determined that knowledge of the occurrence of a Listed Event under 5(b) would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If the City determines that a Listed Event under 5(b) would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB in a timely manner but in no case not more than ten (10) business days after the Listed Event.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 7. Dissemination Agent. The City hereby appoints itself as Dissemination Agent under this Disclosure Undertaking.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking and any provision of this Disclosure Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an "obligated person" (as defined in the Rule) with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the City shall describe such amendment in the next Annual Report of the City, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City, as applicable. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report of the City for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report of the City or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure

Undertaking. If the City chooses to include any information in any Annual Report of the City or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report of the City or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Undertaking, any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Undertaking. The sole remedy under this Disclosure Undertaking in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 11. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Undertaking, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Purchaser and the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Undertaking may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: _____, 2024.

SPANISH FORK CITY, UTAH

(SEAL)

By: _____
Mayor

ATTEST:

City Recorder

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APPENDIX E

BOOK-ENTRY SYSTEM

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com>.

Purchases of 2024A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2024A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2024A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2024A Bonds, except in the event that use of the book-entry system for the 2024A Bonds is discontinued.

To facilitate subsequent transfers, all 2024A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2024A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2024A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2024A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2024A Bonds may wish to ascertain that the nominee holding the 2024A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2024A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2024A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2024A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2024A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2024A Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2024A Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2024A Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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