OFFICIAL NOTICE OF BOND SALE

and

PRELIMINARY OFFICIAL STATEMENT

$9,255,000*

City of Saratoga Springs, Utah

Water Revenue Bonds, Series 2016

Electronic bids will be received up to 9:45:00 A.M., Mountain Standard Time, via the ***PARITY®*** electronic bid submission system, on Monday, November 7, 2016.

* Preliminary; subject to change.

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OFFICIAL NOTICE OF BOND SALE

(Bond sale to be conducted electronically)

City of Saratoga Springs, Utah

$9,255,000*
Water Revenue Bonds, Series 2016

Bids will be received by means of the *PARITY*® electronic bid submission system (as described under "Procedures Regarding Electronic Bidding" below) by the City of Saratoga Springs, Utah (the "City"), no later than 9:45 a.m., Mountain Standard Time ("M.S.T."), on Monday, November 7, 2016, for the purchase all or none ("AON") of $9,255,000* aggregate principal amount of the City's Water Revenue Bonds, Series 2016 (the "Series 2016 Bonds"). The bids will be reviewed and considered by authorized officers of the City and representatives of Zions Public Finance, as municipal advisor to the City (the "Municipal Advisor"), by 4:00 p.m. M.S.T. on November 7, 2016, in accordance with certain parameters established by the City Council of the City (the "City Council") pursuant to resolutions adopted on August 16, 2016 and September 20, 2016.

The Series 2016 Bonds are being issued pursuant to (i) Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the "Act"), and (ii) a General Indenture of Trust, dated as of November 1, 2014 (the "General Indenture"), as previously supplemented and as further supplemented by a Second Supplemental Indenture of Trust, dated as of November 1, 2016 (the "Second Supplemental Indenture" and together with the General Indenture, the "Indenture"), all between the City and U.S. Bank National Association, as trustee (the "Trustee").

The Series 2016 Bonds are being issued for the purpose of (i) financing the acquisition and construction of improvements to the City's water utility system and (ii) paying costs of issuance of the Series 2016 Bonds. The Series 2016 Bonds are more fully described in the City's Preliminary Official Statement with respect to the Series 2016 Bonds dated November 1, 2016 (the "Preliminary Official Statement").

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* Preliminary; subject to change.

Description of Bonds

The Series 2016 Bonds will be dated the date of delivery thereof (expected to be November 22, 2016), will be fully registered bonds, in book–entry form, in denominations of $5,000 or integral multiples thereof, and will mature on December 1 of the years and in the principal amounts as follows:

Maturity (December 1)	Amount*	Maturity (December 1)	Amount*
2017	$40,000	2027	$490,000
2018	225,000	2028	515,000
2019	355,000	2029	535,000
2020	365,000	2030	555,000
2021	375,000	2031	570,000
2022	385,000	2032	585,000
2023	400,000	2033	605,000
2024	420,000	2034	625,000
2025	445,000	2035	640,000
2026	465,000	2036	660,000
		Total	**$9,255,000***

The Series 2016 Bonds will be issued in fully 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 2016 Bonds. Purchases of beneficial interests in the Series 2016 Bonds will be made in book-entry form in the denomination of $5,000 or any integral multiple thereof.

Adjustment of Principal Amount of the 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 2016 Bonds by the amount necessary to properly size the issue so that proceeds available to the City will be approximately $10,000,000. The adjustment of maturities may be made in such amounts as are necessary to provide the City with desired debt service payments during the life of the Series 2016 Bonds. Any such adjustment will be in an amount of $5,000 or an integral multiple thereof. The dollar amount of the price bid by the successful bidder(s) may be changed as described below, but the interest rates specified by the successful bidder(s) for all maturities will not change. A successful bidder(s) may not withdraw its bid as a result of any changes made within those limits, and the City will consider the bid as having been made for the adjusted amount of the Series 2016 Bonds. The dollar amount of the price bid will be changed so that the percentage net compensation to the successful bidder(s) (i.e., the percentage resulting from dividing (a) the aggregate difference between the offering price of the Series 2016 Bonds to the public and the price to be paid to the City, by (b) the principal amount of the Series 2016 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(s) as soon as possible, but expects no later than 2:00 p.m., M.S.T., on the date of sale, of the amount, if any, by which the aggregate principal amount of the Series 2016 Bonds will be adjusted and the corresponding changes to the principal amount of Series 2016 Bonds maturing on one or more of the above–designated maturity dates for the Series 2016 Bonds.

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* Preliminary; subject to change.

To facilitate any adjustment in the principal amounts, the successful bidder(s) is required to indicate by facsimile or email transmission to the Municipal Advisor at, for a fax, fax number 801.844.4484 or, for an email, johnathan.ward@zionsbank.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 2016 Bonds and the amount received from the sale of the Series 2016 Bonds to the public that will be retained by the successful bidder(s) as its compensation.

Bond Insurance and Ratings

The scheduled payment of principal of and interest on the Series 2016 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2016 Bonds by Assured Guaranty Municipal Corp. (referred to herein as "AGM" or the "Insurer"). The bond insurance premium will be paid out of costs of issuance of the Series 2016 Bonds.

The City will, at its own expense, pay the fees of Standard & Poor's Ratings Services ("S&P") for rating the Series 2016 Bonds. As of the date of the Preliminary Official Statement, "S&P" is expected to assign its municipal bond rating of "AA" to the Series 2016 Bonds with the understanding that upon delivery of the Series 2016 Bonds, the insurance policy insuring the payment when due of principal of and interest on the Series 2016 Bonds will be issued by the Insurer. S&P has also assigned an underlying rating of "A" to the Series 2016 Bonds. *Any additional ratings shall be at the option and expense of the successful bidder(s).*

Purchase Price

The purchase price to be bid for the Series 2016 Bonds shall not be less than one-hundred percent (100%) of the principal amount of the Series 2016 Bonds.

Interest Rates

The Series 2016 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:

- no rate bid may exceed 5.00% per annum;
- all Series 2016 Bonds of the same maturity must bear a single rate of interest;
- a zero rate cannot be named for all or any part of the time from the date of any Series 2016 Bond to its stated maturity;
- premium must be paid in the funds specified for the payment of the Series 2016 Bonds as part of the purchase price;
- interest shall be computed from the dated date of a Series 2016 Bond to its stated maturity date at the single interest rate specified in the bid for the Series 2016 Bonds of such maturity;
- 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;

- there shall be no supplemental interest coupons; and

- interest shall be computed on the basis of a 360-day year of twelve, 30-day months.

- interest will be payable semiannually on June 1 and December 1, beginning June 1, 2017, at the rate or rates to be fixed at the time the Series 2016 Bonds are sold.

Payment of Principal and Interest

Principal of and interest on the Series 2016 Bonds are payable by U.S. Bank National Association, Salt Lake City, Utah, as Paying Agent and Registrar, to the registered owners of the Series 2016 Bonds. So long as The Depository Trust Company, New York, NY ("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 2016 Bonds as described under the caption "THE SERIES 2016 BONDS—Book–Entry System" in the City's Preliminary Official Statement with respect to the Series 2016 Bonds. Interest on the Series 2016 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 2016 Bonds maturing on or prior to December 1, 2025, are not subject to redemption prior to maturity. The Series 2016 Bonds maturing on or after December 1, 2026, are subject to redemption at the option of the City on June 1, 2026, 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 2016 Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

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

Series 2016 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, in which event the Series 2016 Bonds will mature and be subject to mandatory sinking fund redemption in such amounts and on such dates as will correspond to the above–designated maturity dates and principal amounts maturing on those dates.

Security

The Series 2016 Bonds are special limited obligations of the City, payable solely from and secured solely by a pledge and assignment of the Net Revenues (as defined in the Indenture) from the City's water system (the "System") and moneys on deposit in the funds and accounts (other than the Rebate Fund and the Repair and Replacement Fund) held by the Trustee under the Indenture. Certain of the Revenues (as defined in the Indenture) have previously been allocated to the payment of another obligation and that obligation enjoys a lien on those Revenues that is senior to the lien of the Series 2016 Bonds. The Series 2016 Bonds do not constitute general obligation indebtedness or a pledge of 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 any of the improvements financed or refinanced with the proceeds of the Series 2016 Bonds to secure payment of the Series 2016 Bonds. The Series 2016 Bonds are secured on a parity lien with the City's outstanding Water Revenue and Refunding Bonds, Series 2014, and any additional bonds, notes or other obligations that may be issued from time to time under the Indenture.

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 by means of the PARITY® electronic bid submission system. A prospective bidder must communicate its bid electronically through PARITY® on or before 9:45 a.m. M.S.T., on Monday, November 7, 2016. No bid will be received after the time for receiving bids specified above. 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 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 2016 Bonds.

Notification

The Municipal Advisor, on behalf of the City, 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 the City as described in the next succeeding paragraph.

The bids will be reviewed and considered by certain designated officers of the City and the City's Municipal Advisor no later than 5:00 p.m., M.S.T., on Monday, November 7, 2016. The Series 2016 Bonds will be awarded to the successful bidder(s) and issued pursuant to resolutions of the City Council previously adopted on August 16, 2016 and September 20, 2016. The City's acceptance of the winning bid shall be made electronically to the successful bidder(s) within the time described under "Award" below.

Form of Bid

Each bidder is required to transmit electronically via *PARITY*® an unconditional bid specifying the lowest rate or rates of interest and confirm the purchase price (as described under "Purchase Price" above) at which the bidder will purchase the Series 2016 Bonds. Each bid must be for all the Series 2016 Bonds herein offered for sale.

For information purposes only, bidders are requested to state in their bids the effective interest rate for the Series 2016 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 801.844.7373, who shall transcribe such bid into written form, or by facsimile transmission to the Municipal Advisor at 801.844.4484, in either case before 9:45 a.m., M.S.T., on Monday, November 7, 2016. For purposes of bids submitted telephonically to the Municipal Advisor (as described above) or by facsimile transmission, 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 2016 Bonds and the total purchase price of all of the Series 2016 Bonds. The Municipal Advisor will seal transcribed telephonic bids and facsimile transmission bids for submission. Neither the City, the County, nor the Municipal Advisor assumes any responsibility or liability from the failure of any such transcribed telephonic bid or facsimile transmission (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 or facsimile transmission) to the Municipal Advisor prior to 2:00 p.m., M.S.T., on November 7, 2016.

Right of Cancellation

The successful bidder(s) shall have the right, at its option, to cancel its obligation to purchase the Series 2016 Bonds if the City shall fail to execute the Series 2016 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 accompanying its bid.

Award

Award or rejection of bids will be made on November 7, 2016. The Series 2016 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 2016 Bonds to maturity and taking into consideration the premium or discount, if any, in the purchase price of the Series 2016 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 2016 Bonds (based on such rate or rates of interest so bid) to the dated date of the Series 2016 Bonds, compounded semiannually, and to the bid price, excluding accrued interest to the date of delivery. Interest cost shall be computed on a 360–day year of twelve, 30–day months.

Good Faith Deposit

A good faith deposit (the “Deposit”) in the amount of $100,000 is required only from the successful bidder(s). 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 2:00 p.m., M.S.T., on November 7, 2016. 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(s) of its obligation to take up and pay for the Series 2016 Bonds when tendered, cash the Deposit check, if applicable, of the successful bidder(s) and hold the proceeds of the Deposit of the successful bidder(s), or invest the same (at the City's risk) in obligations which mature at or before the delivery of the Series 2016 Bonds as described under the caption "Manner and Time of Delivery" below, until disposed of as follows: (a) at such delivery of the Series 2016 Bonds and upon compliance with the successful bidder(s)'s obligation to take up and pay for the Series 2016 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 2016 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(s) fails to take up and pay for the Series 2016 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: (i) to waive any irregularity or informality in any bid or in the bidding process; (ii) to reject any and all bids for the Series 2016 Bonds; and (iii) to resell the Series 2016 Bonds as provided by law.

Manner and Time of Delivery

The successful bidder(s) will be given at least seven business days advance notice of the proposed date of the delivery of the Series 2016 Bonds when that date has been tentatively determined. It is now estimated that the Series 2016 Bonds will be delivered in book–entry form on or about November 22, 2016. Delivery of the Series 2016 Bonds will be made in Salt Lake City, Utah. The successful bidder(s) must also agree to pay for the Series 2016 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 2016 Bonds, at the expense of the City, but neither the failure to print such numbers on any Series 2016 Bond nor any error with respect thereof shall constitute cause for a failure or refusal by the successful bidder(s) thereof to accept delivery of and pay for the Series 2016 Bonds in accordance with terms of this Official Notice of Bond Sale.

Tax–Exempt Status

In the opinion of Ballard Spahr LLP, Bond Counsel to the City, based on an analysis of currently existing laws, regulations, decisions and interpretations, interest on the Series 2016 Bonds is excludable from gross income for federal tax purposes. Interest on the Series 2016 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax ("AMT"); however, interest on the Series 2016 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel is also of the opinion that, under currently existing law, interest on the Series 2016 Bonds is exempt from State of Utah individual income taxes. The Series 2016 Bonds are <u>not</u> bank-qualified. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016 Bonds.

Issue Price

In order to enable the City to comply with certain conditions of the Code, the successful bidder(s) will be required to provide a certificate as to the "issue price" of the Series 2016 Bonds. Each bidder, by submitting its bid, agrees to complete, execute and deliver such certificate, in form and substance satisfactory to Bond Counsel, by the date of delivery of the Series 2016 Bonds, if its bid is accepted by the City. It will be the responsibility of the successful bidder(s) to institute such syndicate reporting requirements, to make such investigation or otherwise to ascertain the facts necessary to make such certification. Any questions regarding the certificate should be directed to Randall M. Larsen of Ballard Spahr LLP, Bond Counsel, 201 South Main Street, Suite 800, Salt Lake City, Utah 84111; 801.531.3079; fax 801.531.3001; larsen@ballardspahr.com. A form of the required certification is attached hereto as Exhibit A.

Legal Opinion and Closing Documents

The approving opinion of Ballard Spahr LLP, covering the legality of the Series 2016 Bonds will be furnished to the successful bidder(s) without charge. A supplemental disclosure opinion of Ballard Spahr LLP will also be delivered to the successful bidder(s) without charge. There will also be furnished the usual closing certificates dated as of the date of delivery of and payment for the Series 2016 Bonds, including a certificate from the attorney for the City that there is no litigation pending or, to the knowledge of the signer thereof, threatened, affecting the validity of the Series 2016 Bonds.

Disclosure Certificate

The City will deliver to the successful bidder(s) a certificate of officer(s) of the City, dated the date of the delivery of the Series 2016 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 2016 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 are at the time of delivery of the Series 2016 Bonds true and correct in all material respects and do not at the time of the delivery of the Series 2016 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.

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 15c2–2 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(s) no later than the seventh business day after the award of the Series 2016 Bonds as described under the caption "Award" above, a final Official Statement in electronic format, 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 audited financial statements) and notices of the occurrence of certain material events. A description of the undertaking is set forth in 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@zionsbank.com), Zions Public Finance, Inc., One South Main Street, 18th Floor, Salt Lake City, Utah 84133; 801.844.7373; Fax: 801.844.4484; the Municipal Advisor to the City.

Dated November 1, 2016.

CITY OF SARATOGA SPRINGS, UTAH

/s/ Jim Miller

Mayor

EXHIBIT A

FORM OF CERTIFICATE OF PURCHASER

On behalf of __________, as Purchaser, I hereby certify in connection with the issuance of the $__________ City of Saratoga Springs, Utah Water Revenue Bonds, Series 2016 (the "Series 2016 Bonds"), as follows:

1. We have made a bona fide public offering of the Series 2016 Bonds to the public at the reoffering price as set forth below:

Maturity Date (December 1)	Principal Amount of Maturity	Initial Reoffering Price at which Substantial Amount Was Sold	Total Price if Total Maturity Sold at Initial Price

2. If such issue price were paid for all of the Series 2016 Bonds, the total issue price to the public would be $__________.

3. A substantial amount (not less than 10%) of the Series 2016 Bonds was sold, or was reasonably expected at the time of the bid for the Series 2016 Bonds to be sold, to the public or final purchasers (not including bond houses, or brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at or below such initial reoffering prices.

4. Based upon our experience, the issue price of the Series 2016 Bonds does not exceed their fair market value as of the date of sale thereof.

IN WITNESS WHEREOF, the undersigned has hereunto fixed his official signature this _____ day of _______________, 2016.

[PURCHASER]

By:_______________________________

Title: _____________________________

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 1, 2016

NEW ISSUE—Book-Entry Only
Not Bank-Qualified

Insured Rating: S&P "AA" (stable outlook) (AGM Insured)
Underlying Rating: S&P "A"
See "BOND RATINGS" herein.

In the opinion of Ballard Spahr LLP, Bond Counsel to the City, interest on the Series 2016 Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2016 Bonds is not a preference item for purposes of either individual or corporate federal alternative minimum tax; however, interest paid to corporate holders of the Series 2016 Bonds may be indirectly subject to alternative minimum tax under certain circumstances. Bond Counsel is also of the opinion that interest on the Series 2016 Bonds is exempt from State of Utah individual income tax under currently existing law. See "TAX MATTERS," herein.

$9,255,000*
CITY OF SARATOGA SPRINGS, UTAH
WATER REVENUE BONDS,
SERIES 2016

Dated: Date of Delivery **Due: December 1, as shown on the inside cover**

The Series 2016 Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2016 Bonds. Purchases of Series 2016 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 participants. Owners of the Series 2016 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 Series 2016 Bonds. Interest on the Series 2016 Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2017, through U.S. Bank National Association, as Paying Agent, all as more fully described herein. So long as DTC or its nominee is the registered owner of the Series 2016 Bonds, payments of the principal of, premium, if any, and interest on such Series 2016 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "THE SERIES 2016 BONDS—Book-Entry Only System" herein.

The Series 2016 Bonds are being issued for the purpose of (i) financing the acquisition and construction of improvements to the City's water utility system (the "System") (collectively, the "Project"), and (ii) paying costs of issuance of the Series 2016 Bonds.

The Series 2016 Bonds are subject to optional [and mandatory sinking fund] redemption prior to maturity as described herein. See "THE SERIES 2016 BONDS—Redemption" herein.

The Series 2016 Bonds are limited obligations of the City, payable solely from certain Revenues of the System after payment of Operation and Maintenance Expenses, as described herein. The lien of the Series 2016 Bonds on a portion of the connection fees that are part of Revenues is subordinate to the lien on such Revenues securing the Settlement Obligation. The Series 2016 Bonds are not general obligations of the City or the State of Utah or any agency, instrumentality, or political subdivision thereof. The issuance of the Series 2016 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 Series 2016 Bonds.

The scheduled payment of principal of and interest on the Series 2016 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2016 Bonds by ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY® MUNICIPAL

The Series 2016 Bonds are being sold pursuant to a competitive bidding process to be held on November 7, 2016.

The Series 2016 Bonds are offered when, as, and if issued and received by the successful bidder(s) thereof, subject to the approval of their legality by Ballard Spahr LLP, Bond Counsel to the City. Certain matters relating to disclosure will be passed upon for the City by Ballard Spahr LLP, Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by Kevin Thurman, Esq., City Attorney. Zions Public Finance has acted as municipal advisor to the City in connection with the issuance of the Series 2016 Bonds. It is expected that the Series 2016 Bonds, in book-entry only form, will be available for delivery on or about November 22, 2016.

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 November ___, 2016, and the information contained herein speaks only as of that date.

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* Preliminary; subject to change.

$9,255,000*
CITY OF SARATOGA SPRINGS, UTAH
WATER REVENUE BONDS,
SERIES 2016

MATURITIES, AMOUNTS, INTEREST RATES, AND PRICES OR YIELDS

Due (December 1)	Principal Amount*	Interest Rate	Yield	CUSIP**
2017	$40,000			
2018	225,000			
2019	355,000			
2020	365,000			
2021	375,000			
2022	385,000			
2023	400,000			
2024	420,000			
2025	445,000			
2026	465,000			
2027	490,000			
2028	515,000			
2029	535,000			
2030	555,000			
2031	570,000			
2032	585,000			
2033	605,000			
2034	625,000			
2035	640,000			
2036	660,000			

[$__________ _____% Term Bond Due December 1, 20___; Price ___%; CUSIP No. __________**]

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* Preliminary; subject to change.

** The above-referenced CUSIP number(s) have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2016 Bonds. None of the City, the Trustee or the Municipal Adviser is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the particular Series 2016 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2016 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.

The information contained in this Official Statement has been furnished by the City, DTC, the Insurer, and other sources that are believed to be reliable. No dealer, broker, salesperson or any other person has been authorized by the City to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon as having been authorized by the City.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the City or in any other information contained herein, since the date of this Official Statement.

This Official Statement contains "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements include, among others, statements concerning expectations, beliefs, opinions, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

The yields or prices at which the Series 2016 Bonds are offered to the public may vary from the initial reoffering yields or prices shown on the inside front cover page of this Official Statement. In connection with this offering, the successful bidder(s) of the Series 2016 Bonds may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2016 Bonds. Such transactions, if commenced, may be discontinued at any time.

The City maintains a website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2016 Bonds.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2016 Bonds or the advisability of investing in the Series 2016 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

$9,255,000*
CITY OF SARATOGA SPRINGS
WATER REVENUE AND REFUNDING BONDS,
SERIES 2016

City of Saratoga Springs
1370 North Commerce Drive, Suite 200
Saratoga Springs, Utah 84045
(801) 766-9793

MAYOR AND CITY COUNCIL

Jim Miller	Mayor
Shellie Baertsch	Councilmember
Michael McOmber	Councilmember
Bud Poduska	Councilmember
Chris Porter	Councilmember
Stephen Willden	Councilmember

CITY ADMINISTRATION

Mark Christensen	City Manager
Spencer Kyle	Assistant City Manager
Chelese Rawlings	Finance Manager
Cindy LoPiccolo	City Recorder
Debbie Elms	City Treasurer
Kevin Thurman	City Attorney
Jeremy Lapin	Public Works Director
George Leatham	Assistant Public Works Supervisor
Gordon Miner	City Engineer

TRUSTEE, PAYING AGENT, AND REGISTRAR

U.S. Bank National Association
170 South Main Street, Suite 200
Salt Lake City, Utah 84101
(801) 534-6083

MUNICIPAL ADVISOR

Zions Public Finance
One South Main Street, 18th Floor
Salt Lake City, Utah 84133
(801) 844-7373

BOND AND DISCLOSURE COUNSEL

Ballard Spahr LLP
201 South Main Street, Suite 800
Salt Lake City, Utah 84111
(801) 531-3000

* Preliminary; subject to change.

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OFFICIAL STATEMENT

RELATING TO

$9,255,000*
CITY OF SARATOGA SPRINGS, UTAH
WATER REVENUE BONDS,
SERIES 2016

INTRODUCTION

This Official Statement, including the cover page, introduction and appendices provides information regarding the issuance and sale by the City of Saratoga Springs, Utah (the "City"), a political subdivision and body politic of the State of Utah (the "State"), of its $9,255,000* Water Revenue and Refunding Bonds, Series 2016 (the "Series 2016 Bonds"), initially issued in book-entry form only. This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2016 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in APPENDIX B—EXTRACTS FROM THE GENERAL INDENTURE OF TRUST.

See also the following appendices attached hereto which are hereby incorporated herein by reference: "APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2015," "APPENDIX B—EXTRACTS FROM THE GENERAL INDENTURE OF TRUST," "APPENDIX C—ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY AND UTAH COUNTY," "APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING," "APPENDIX E—FORM OF OPINION OF BOND COUNSEL," "APPENDIX F—PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM," and "APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Authorization and Purpose of the Series 2016 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 General Indenture of Trust dated as of November 1, 2014 (the "General Indenture"), as previously amended and supplemented, between the City and U.S. Bank National Association, as trustee (the "Trustee"), and as further supplemented by a Second Supplemental Indenture of Trust dated as of November 1, 2016 (the "Second Supplemental Indenture" and together with the General Indenture, the "Indenture") between the City and the Trustee; (iii) resolutions of the City adopted on August 16, 2016 and September 20, 2016 (together, the "Resolution"), which provide for the issuance of the Series 2016 Bonds; and (iv) other applicable provisions of law.

The Series 2016 Bonds are being issued for the purpose of (i) financing the acquisition and construction of improvements to the hereinafter described System (collectively, the "Project") and (ii) paying costs of issuance of the Series 2016 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE PROJECT."

The System

The City currently owns and operates culinary water facilities to provide culinary water services to the residents of the City (the "Culinary Water Facilities") and secondary water facilities to provide secondary water services to the residents of the City (the "Secondary Water Facilities," and together with the Culinary Water Facilities, the "System"). In 2015 the System provided service to 6,839 culinary water connections, approximately

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* Preliminary; subject to change.

98% of which were residential and the remainder of which are commercial, schools, churches and governmental facilities.

The Culinary Water Facilities include five equipped and active wells; two unequipped, future wells; seven storage tanks that provide 11 million gallons of storage; five booster stations, and approximately 105 miles of water distribution lines.

The Secondary Water Facilities include four equipped and active wells; five storage reservoirs that provide 44.5 acre feet of storage; two booster stations; one canal staging pond; four filter stations; and approximately 100 miles of pipeline. See "THE SYSTEM" herein.

Security and Sources of Payment for the Bonds

General. The Bonds (as hereinafter defined), including the Series 2016 Bonds, will be payable from and secured solely by a pledge and assignment of the Revenues from the System and moneys on deposit in the funds and accounts (other than the Rebate Fund) held by the Trustee under the Indenture. The Revenues of the System will be applied to pay the Operation and Maintenance Expenses before being applied to pay principal of and interest on the Bonds.

The Series 2016 Bonds are limited obligations of the City, payable solely from the Revenues of the System after Payment of Operation and Maintenance Expenses, as described herein. The lien of the Series 2016 Bonds on a portion of the connection fees that are part of Revenues is subordinate to the lien on such Revenues securing the hereinafter described Settlement Obligation. The Series 2016 Bonds are not general obligations of the City or the State or any agency, instrumentality, or political subdivision thereof. The issuance of the Series 2016 Bonds shall not directly, indirectly, or contingently obligate the City or the State 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 Series 2016 Bonds. The City will not mortgage or grant a security interest in the System or any portion thereof to secure payment of the Series 2016 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Settlement Obligation. The City previously entered into a Settlement and Culinary Water Asset Purchase and Sale Agreement effective as of February 2, 2005 (the "Settlement Agreement") among the City and Lake Mountain Mutual Water Company (the "Water Company"), Saratoga Springs Development, LLC ("Saratoga Development"), Scott McLachlan ("McLachlan") and Lynn Wardley ("Wardley" and together with the Water Company, Saratoga Development and McLachlan, the "Plaintiffs"). Pursuant to the Settlement Agreement, the City purchased water facilities from the Plaintiffs for the purchase price of $21,000,000 (the "Settlement Obligation"). The Settlement Obligation bears no interest and is payable from $2,000 each culinary impact fee received by the City (the "Previously Allocated Revenues"). The lien of the Settlement Obligation on the Previously Allocated Revenues is senior to the lien of the Bonds on the Previously Allocated Revenues. However, the Settlement Obligation is not payable from or secured by any other Revenues of the System. See "SECURITY FOR THE BONDS—The Settlement Obligation" herein.

Outstanding Parity Bonds and Additional Bonds. The City has previously issued and has outstanding under the Indenture its Water Revenue and Refunding Bonds, Series 2014 (the "Series 2014 Bonds"). The City may issue Additional Bonds payable on a parity with the Series 2016 Bonds upon complying with certain requirements set forth in the Indenture. Such Additional Bonds together with the Series 2014 Bonds and the Series 2016 Bonds are sometimes collectively referred to herein as the "Bonds." See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds" herein.

Bond Insurance

The scheduled payment of principal of and interest on the Series 2016 Bonds, when due, will be guaranteed under an insurance policy (the "Policy") to be issued concurrently with the delivery of the Series 2016 Bonds by Assured Guaranty Municipal Corp ("AGM" or the "Insurer"). See "BOND INSURANCE" and "APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY" herein.

Redemption Provisions

The Series 2016 Bonds are subject to optional [and mandatory sinking fund] redemption prior to maturity. See "THE SERIES 2016 BONDS—Redemption" herein.

Registration, Denominations, Manner of Payment

The Series 2016 Bonds are issuable only as fully registered bonds without coupons 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 Series 2016 Bonds. Purchases of Series 2016 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 Participants (as hereinafter defined). Beneficial Owners (as hereinafter defined) of the Series 2016 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 Series 2016 Bonds.

Principal of, premium, if any, and interest on the Series 2016 Bonds (interest payable June 1 and December 1 of each year, commencing June 1, 2017 (each an "Interest Payment Date")) are payable to the registered owners of the Series 2016 Bonds through U.S. Bank National Association, Salt Lake City, Utah, which, in addition to acting as Trustee, will also act as Paying Agent and Registrar with respect to the Series 2016 Bonds (respectively, the "Paying Agent" and the "Bond Registrar"). So long as DTC is the registered owner, it will, in turn, remit such principal, premium, if any, and interest to the DTC Participants, for subsequent disbursements to the Beneficial Owners of the Series 2016 Bonds, as described under the caption "THE SERIES 2016 BONDS—Book-Entry Only System" herein.

Transfer or Exchange

Except as described under "THE SERIES 2016 BONDS—Book-Entry Only System" herein, in all cases in which the privilege of exchanging or transferring the Series 2016 Bonds is exercised, the City shall execute, and the Registrar shall authenticate and deliver, the Series 2016 Bonds in accordance with the provisions of the Indenture. For every such exchange or transfer of the Series 2016 Bonds, the City or the Registrar may make a charge sufficient to reimburse it for any tax, fee, or other governmental charge required to be paid with respect to such exchange or transfer of the Series 2016 Bonds, but may impose no other charge therefor.

The Registrar, shall not be required to transfer or exchange any Series 2016 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 Series 2016 Bonds for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Series 2016 Bond for redemption. The "Regular Record Date" means the fifteenth day immediately preceding each Interest Payment Date. The "Special Record Date" means such date as may be fixed for the payment of defaulted interest on the Series 2016 Bonds pursuant to the Indenture.

Tax-Exempt Status

Federal Income Tax. In the opinion of Ballard Spahr LLP, Bond Counsel to the City, interest on the Series 2016 Bonds is excludable from gross income for purposes of the federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2016 Bonds is not a preference item for purposes of either individual or corporate federal alternative minimum tax; however, interest paid to corporate holders of the Series 2016 Bonds may be indirectly subject to alternative minimum tax under certain circumstances. The Series 2016 Bonds are not bank-qualified. See "TAX MATTERS" herein.

State Income Tax. Bond Counsel is also of the opinion that, under currently existing laws, interest on the Series 2016 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 Series 2016 Bonds.

Conditions of Delivery, Anticipated Date, Manner, and Place of Delivery

The Series 2016 Bonds are offered, subject to prior sale, when, as and if issued and received by the successful bidder subject to approval of legality by Ballard Spahr LLP, Bond Counsel to the City, and certain other conditions. Certain matters relating to disclosure will be passed upon by Ballard Spahr LLP, disclosure counsel to the City. Certain legal matters will be passed on for the City by Kevin Thurman, Esq., City Attorney. Zions Public Finance has acted as municipal advisor to the City in connection with the issuance of the Series 2016 Bonds. It is expected that the Series 2016 Bonds in book-entry form will be available for delivery and for deposit with DTC or its agent on or about November 22, 2016.

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, the Series 2016 Bonds, and the Indenture are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture are qualified in their entirety by reference to such document, and references herein to the Series 2016 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the information with respect thereto included in the aforementioned document, copies of which are available for inspection at the principal office of the Trustee on or after the delivery of the Series 2016 Bonds. Descriptions of the Indenture and the Series 2016 Bonds are qualified by reference to bankruptcy 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. During the period of the offering of the Series 2016 Bonds, copies of the preliminary forms of any of the aforementioned documents will be available from the "contact persons" as indicated below. Also see APPENDIX B—EXTRACTS FROM THE GENERAL INDENTURE OF TRUST herein. The "basic documentation" which includes the Resolution, the Indenture and other documentation, authorizing the issuance of the Series 2016 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 below.

Contact Persons

The chief contact person for the City concerning the Series 2016 Bonds is:

Mark Christensen, City Manager
City of Saratoga Springs
1307 North Commerce Drive, Suite 200
Saratoga Springs, Utah 84043
Telephone: (801) 766-9793
markc@saratogaspringscity.com

The chief contact person for the Municipal Advisor concerning the Series 2016 Bonds is:

Johnathan Ward, Vice President
Zions Public Finance
One South Main Street, 18th Floor
Salt Lake City, Utah 84133-1109
Telephone: (801) 844-7379
johnathan.ward@zionsbank.com

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2016 Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2016 Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Series 2016 Bonds when due as set forth in the form of the Policy included as APPENDIX G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 27, 2016, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

On December 10, 2015, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Capitalization of AGM

At June 30, 2016, AGM's policyholders' surplus and contingency reserve were approximately $3,841 million and its net unearned premium reserve was approximately $1,459 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (filed by AGL with the SEC on February 26, 2016);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016 (filed by AGL with the SEC on May 5, 2016); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 (filed by AGL with the SEC on August 4, 2016).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Series 2016 Bonds or the advisability of investing in the Series 2016 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

THE SERIES 2016 BONDS

General

The Series 2016 Bonds are dated their date of delivery and except as otherwise provided in the Indenture, shall bear interest from said date. Interest on the Series 2016 Bonds will be payable semiannually on June 1 and December 1 of each year commencing June 1, 2017. Interest on the Series 2016 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 2016 Bonds will be issued as fully registered bonds, initially in book-entry form, in denominations of $5,000 or any integral multiple thereof, not exceeding the amount of each maturity.

The Series 2016 Bonds shall bear interest at the rates and shall mature in each of the years as set forth on the inside cover page to this Official Statement.

The Series 2016 Bonds are limited obligations of the City, payable solely from the Revenues of the System after payment of Operation and Maintenance Expenses, as described herein. The lien of the Series 2016 Bonds on the Previously Allocated Revenues is subordinate to the lien of the Settlement Obligations on the Previously Allocated Revenues. The Series 2016 Bonds are not general obligations of the City or the State or any agency, instrumentality, or political subdivision thereof. The issuance of the Series 2016 Bonds shall not directly, indirectly, or contingently obligate the City or the State 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 Series 2016 Bonds.

Interest on the Series 2016 Bonds will be paid on each Interest Payment Date to the Registered Owner thereof (initially DTC) who is the Registered Owner at the close of business on the Regular Record Date for such interest. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner of any Series 2016 Bonds on such Regular Record Date, and may be paid to 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 days prior to such Special Record Date. The principal of and premium, if any, on the Series 2016 Bonds are payable upon presentation and surrender thereof at the principal corporate trust office of the Trustee.

Redemption Provisions

Optional Redemption. The Series 2016 Bonds maturing on or prior to December 1, 2025, are not subject to redemption prior to maturity. The Series 2016 Bonds maturing on or after December 1, 2026, are subject to redemption at the option of the City on June 1, 2026, 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 2016 Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

[Mandatory Sinking Fund Redemption. The Series 2016 Bonds maturing on December 1, 20___, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption on the dates and in the principal amounts as follows:

Mandatory Sinking Fund Redemption Date (December 1)	Mandatory Sinking Fund Redemption Amount
†	

† Final maturity.

Upon redemption of any Series 2016 Bond other than by application of such mandatory sinking fund redemption, an amount equal to the principal amount so redeemed will be credited toward a part or all of any one or more of such mandatory sinking fund redemption amounts for the respective Series 2016 Bonds in such order of mandatory sinking fund date as shall be directed by the City.]

Notice of Redemption. In the event any of the Series 2016 Bonds are to be redeemed, the Registrar shall cause notice of redemption with the information required by the Indenture to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2016 Bonds to be redeemed at their addresses as they appear on the registration books of the Bond Registrar at least 30 days but not more than 60 days prior to the date fixed for redemption.

If at the time of any notice of optional redemption there shall not be on deposit with the Trustee moneys sufficient to redeem all the Series 2016 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 Series 2016 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 City shall not be required to redeem such Series 2016 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.

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.

In addition to the foregoing, further notice of any redemption of Series 2016 Bonds shall be given by the Trustee simultaneous with the mailed notice to Registered Owners, by first-class mail 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 Series 2016 Bonds. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

Partially Redeemed Fully Registered Bonds. If fewer than all of the Series 2016 Bonds of any one maturity are to be redeemed, the particular Series 2016 Bonds or portions of Series 2016 Bonds to be redeemed shall be selected by the Trustee by lot in such manner as the Trustee, in its discretion, may deem fair and appropriate. In case any Series 2016 Bond shall be redeemed in part only, upon the presentation of such Series 2016 Bond for such partial redemption, the City 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 City, a Series 2016 Bond or Bonds of the same interest rate and maturity, in aggregate principal amount equal to the unredeemed portion of such registered Series 2016 Bond. A portion of any Series 2016 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 Series 2016 Bonds for redemption, the Trustee will treat each such Series 2016 Bond as representing that number of Series 2016 Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 2016 Bonds by $5,000.

Book-Entry Only System

The Series 2016 Bonds originally will be issued solely in book-entry form to The Depository Trust Company ("DTC"), New York, New York, or its nominee, Cede & Co., to be held in DTC's book-entry system. So long as such Series 2016 Bonds are held in the book-entry only system, DTC or its nominee will be the registered owner or Holder of such Series 2016 Bonds for all purposes of the Indenture, the Series 2016 Bonds and this Official Statement. Purchases of beneficial ownership interests in the Series 2016 Bonds may be made in denominations described above. For a description of the book-entry only system for the Series 2016 Bonds, see "APPENDIX F—PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM."

DEBT SERVICE ON THE BONDS

The following table sets forth the debt service requirements of the Series 2016 Bonds and the Outstanding Parity Bonds.

Payment Dates	Principal*	Interest	Outstanding Parity Bonds[1]	Fiscal Total
6/1/2017	–		$129,812.50	
12/1/2017	$40,000		564,812.50	
6/1/2018	–		125,462.50	
12/1/2018	225,000		570,462.50	
6/1/2019	–		121,012.50	
12/1/2019	355,000		576,012.50	
6/1/2020	–		116,462.50	
12/1/2020	365,000		581,462.50	
6/1/2021	–		111,812.50	
12/1/2021	375,000		586,812.50	
6/1/2022	–		107,062.50	
12/1/2022	385,000		592,062.50	
6/1/2023	–		101,000.00	
12/1/2023	400,000		596,000.00	
6/1/2024	–		94,812.50	
12/1/2024	420,000		604,812.50	
6/1/2025	–		87,162.50	
12/1/2025	445,000		612,162.50	
6/1/2026	–		79,287.50	
12/1/2026	465,000		619,287.50	
6/1/2027	–		71,187.50	
12/1/2027	490,000		631,187.50	
6/1/2028	–		62,787.50	
12/1/2028	515,000		637,787.50	
6/1/2029	–		54,162.50	
12/1/2029	535,000		649,162.50	
6/1/2030	–		45,237.50	
12/1/2030	555,000		660,237.50	
6/1/2031	–		34,475.00	
12/1/2031	570,000		669,475.00	
6/1/2032	–		23,362.50	
12/1/2032	585,000		678,362.50	
6/1/2033	–		11,900.00	
12/1/2033	605,000		691,900.00	
6/1/2034	–		–	
12/1/2034	625,000		–	
6/1/2035	–		–	
12/1/2035	640,000		–	
6/1/2036	–		–	
12/1/2036	660,000		–	
TOTAL	$9,255,000*		$11,899,000.00	

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* Preliminary; subject to change.

(1) Includes principal and interest.

(Source: Municipal Advisor.)

THE PROJECT

A portion of the proceeds of the Series 2016 Bonds will be used for improvements to the System, including construction and/or acquisition of new pump houses, water lines and storage reservoirs for the Secondary Water Facilities and other System improvements.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the Series 2016 Bonds are estimated to be approximately as follows:

Sources:	
Par Amount of Series 2016 Bonds	$__________
[Net] Reoffering Premium]	
Total Sources	
Uses:	
Deposit to Construction Fund	$__________
Costs of Issuance(1)	
Total Uses	

(1) Includes purchaser's discount, bond insurance premium, legal fees, municipal advisor fees, rating agency fees, trustee, registrar and paying agent fees, and other costs incurred in connection with the issuance of the Series 2016 Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are special limited obligations payable from and secured solely by a pledge and assignment of the Revenues from the System after payment of Operation and Maintenance Expenses and moneys on deposit in the funds and accounts (other than the Rebate Fund) held by the Trustee under the Indenture. The lien of the Bonds on the Previously Allocated Revenues is subordinate to the lien of the Settlement Obligations on the Previously Allocated Revenues. The Bonds are not general obligations of the City, the State or any agency, instrumentality, or political subdivision thereof. The issuance of the Bonds shall not directly, indirectly, or contingently obligate the City or the State 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 Bonds.

"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 City or paid to any other entity pursuant to contract or otherwise, necessary to keep the System in efficient operating condition, including cost of audits required by the Indenture, payment of promotional and marketing expenses and real estate brokerage fees, payment of premiums for the insurance required by the Indenture, 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 and interest expense for interfund loans from City funds, 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.

"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), including (without limitation) all fees and service charges received by the City from service contracts for the 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 in the funds of the City. A portion of the System impact fees have been previously pledged under the Settlement Agreement (the Previously Allocated Revenues) such that the pledge of impact fees under the Indenture will be subordinate to the pledge in the Settlement Agreement while the Settlement Agreement is outstanding.

Flow of Funds

(a) Unless otherwise provided in the Indenture, all Revenues shall be deposited in the Revenue Fund and shall be accounted for by the City separate and apart from all other moneys of the City.

(b) As a first charge and lien on the Revenues, the City shall cause to be paid from the Revenue Fund from time to time as the City 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 City shall, at least fifteen (15) days before each Interest Payment Date, transfer from the Revenue Fund to the Trustee for and 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 City need not allocate to the Revenue Fund to pay interest on the Bonds); plus
>
> (ii) the principal and premium, if any, falling due on the next succeeding principal payment date established for the Bonds; plus
>
> (iii) the Sinking Fund Installments, if any, falling due on the next succeeding Sinking Fund Installment payment date;

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 Interest Payment 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 City shall make the following transfers to the Trustee on or before the fifteenth day of each month of each year:

> (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 by the Indenture 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 in the Indenture 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 City 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 the Indenture) 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 such month, 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 the Indenture) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such monthly 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 City shall deposit in the Repair and Replacement Fund any amount required by the Indenture 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 City 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 paragraphs (b), (c) and (d) above 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 paragraph (f) below, this provision is not intended to limit, and shall not limit, the right of the City to deposit additional moneys in the Repair and Replacement Fund from time to time as the City may determine.

(f) Subject to making the foregoing deposits, the City 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.

Rate Covenant

The City covenants in the Indenture that while any of the principal of and interest on the Bonds are outstanding or any Repayment Obligations are outstanding the rates (including connection fees) 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, will be sufficient to pay the System's Operation and Maintenance Expenses and to provide for each Bond Fund Year Net Revenues which when added to the Other Available Funds for such year will 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 such rates must be reasonable rates for the type, kind and character of the service rendered. The City agrees that there shall be no free water service, and such rates shall be charged against all users of the System, including the City. The City agrees that should its annual financial statement made in accordance with the provisions of 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 by the Indenture.

Rate Stabilization Fund and Other Available Funds

The City has created and is to maintain the Rate Stabilization Fund as a separate fund of the City. The Rate Stabilization Fund is to be funded in the amount of $400,000 and may 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 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. "Other Available Funds" has been defined under the Indenture to mean, for any year, the amount set forth in a written certificate of the City submitted to the Trustee, available throughout the applicable year for transfer from the Rate Stabilization Fund to the Revenue Fund.

The Settlement Obligation

As previously stated, the City entered into the Settlement Agreement in connection with the acquisition of certain water facilities and to settle certain claims that were made by the Plaintiffs at the time that the City established the System. In consideration for the transfer of the water facilities, the City agreed to pay the Water Company the amount of $21,000,000, previously referred to herein as the Settlement Obligation. The Settlement Obligation is payable from the Previously Allocated Revenues, which are derived from $2,000 of each culinary impact fee collected by the City. The lien of the Settlement Obligation on the Previously Allocated Revenues is senior to the lien of the Bonds on the Previously Allocated Revenues. However, the Settlement Obligation is not payable from or secured by any other Revenues of the System. The Settlement Obligation does not bear any interest and is payable monthly from Previously Allocated Revenues collected in the prior month until the Settlement Obligation is paid in full. If the City has not paid the Settlement Obligation in full by February 2, 2025, it must pay the amount remaining on the Settlement Obligation in full on that date (the "Balloon Payment"). The Settlement Agreement does not contain any provision regarding the source of payment for the Balloon Payment. See "INVESTMENT CONSIDERATIONS—The Settlement Obligation."

No Debt Service Reserve Fund

No debt service reserve will be funded under the Indenture with respect to the Series 2016 Bonds.

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 prior written consent of the owners of 100% of the Outstanding Bonds. In addition, no Additional Bonds or other indebtedness, bonds or notes of the City payable on a parity with the Series 2016 Bonds 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 under the Indenture on the date of authentication of any Additional Bonds; provided that this provision shall not preclude the issuance of Additional Bonds 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 the proceeds thereof;

(b) The Net Revenues plus Other Available Funds, less Direct Payments, if any, 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 total Debt Service (including any Repayment Obligations) less any Escrowed Operation and Maintenance Expenses, for any one Bond Fund Year (or other specific period) on all Series of Bonds Outstanding or any specified portion thereof for said 12-month period (the "Aggregate Annual Debt Service Requirement"); provided, however, that such

Revenue coverage test described 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 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 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 City shall have delivered to the Trustee a certificate from an Authorized Representative:

(1) setting forth the Estimated Net Revenues as described in the Indenture (assuming, if applicable, the completion of the Project financed with proceeds of the Additional Bonds) either:

(i) 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

(ii) if (i) 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

(2) verifying that the Estimated Net Revenues as shown in (1) above for each of such Bond Fund Years 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 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 subsection (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 be 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 the Qualified Engineer for the applicable Bond Fund Years as determined in (c)(1)(i) or (ii) 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.

(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 the full amount required by the Indenture to be accumulated therein at such time.

(f) 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 to finance or refinance a Project (including the funding of necessary reserves and the payment of costs of issuance).

The City currently has no plans to issue Additional Bonds within the next three years. However, the City reserves the right to issue additional series of Additional Bonds as its capital needs require.

THE SYSTEM

General Description of Culinary Water and Secondary Water Facilities

The City currently owns and operates culinary water facilities to provide culinary water services to the residents of the City (the "Culinary Water Facilities") and secondary water facilities to provide secondary water services to the residents of the City (the "Secondary Water Facilities"). The Culinary Water Facilities and the Secondary Water Facilities comprise the System.

The Culinary Water Facilities are comprised of five equipped and active wells, two unequipped, future wells, seven storage tanks, five booster stations, and approximately 105 miles of water distribution lines. The Culinary Water Facilities provide service to all 11,050 acres within the boundaries of the City, except for some homes in undeveloped rural areas that are or may be served directly by their private wells. The City has partnered with the Central Utah Conservancy District ("CUWCD") to meet its long-term culinary water supply needs. CUWCD is currently constructing the well fields, aqueducts, and reservoirs needed to supply this water and the delivery of contracted water into the City's Culinary Water Facilities is expected to occur by 2019.

The Secondary Water Facilities include four equipped and active wells, five storage reservoirs, two booster stations, one canal staging pond, four filter stations and approximately 100 miles of pipeline. There are 22 cross-connection locations within the System where culinary water can be injected into the secondary system to supplement secondary sources during peak irrigation demands. The Secondary Water Facilities also provide service to all areas within the 11,050-acre City boundary except for those undeveloped, rural areas that are or may be irrigated by private wells or canal water. The Secondary Water Facilities use lower-grade water sources to meet the outdoor watering needs of the residents, thereby decreasing demand upon the City's Culinary Water Facilities. The operation of the Secondary Water Facilities enables the City to administer a more orderly transfer of agricultural land and water to urban uses.

The City uses a SCADA (Supervisory Control and Data Acquisition) radio based system to control and gather operations data for both its Culinary and Secondary Water Facilities. The SCADA system provides real time data to the operators who can then make supervisory decisions to adjust or override normal controls as necessary to maintain an acceptable level of service to the residents.

Sources and Supplies of Water

<u>Culinary Water Facilities</u>: Currently 100% of the City's culinary water is generated from the five City-owned deep wells that are equipped with pumps. The City's culinary wells are located on the east side of the Jordan River and are typically drilled to a depth of approximately 525 feet with water being generated from water bearing strata between 100 to 450 feet deep. Some well pumps are lined-shaft driven while others are submersible. Water generated from those wells meets or exceeds all local, State, and federal quality drinking water standards. The City has equipped many of its wells with transfer switches so that in the event of a power outage, power can be supplied by portable emergency diesel backup power generation systems. The City's culinary water department maintains testing and maintenance programs for each of its wells to ensure their longevity for future demand.

The City currently has secured more than 6,400 acre-feet ("af") of culinary water for its wells which the City believes is sufficient to meet the current and foreseeable future demands of development. The City plans to continue to acquire additional water rights as needed. All new development is required to either deliver to the City the required water rights or to purchase from the City the necessary water rights for each project. Water right funds collected are used to purchase new rights so that there is always a pool of available rights to support growth. In the future, up to 10,000 acre-feet of culinary water will also be supplied by the CUWCD pursuant to the hereinafter described Water Supply Agreement.

The City has seven City-owned above ground storage reservoirs with a storage capacity of approximately 11 million gallons. The reservoirs are reinforced concrete and are strategically located to maintain adequate pressure throughout the System. There are four booster pump stations used to pump water into all zones of the Culinary Water Facilities. The CUWCD is planning 10 million gallons of culinary water storage to meet the peak flow needs of the City in the future.

The City tests the quality of water routinely to insure the health and safety of the public. The City currently has an "approved" System status by the Utah State Division of Drinking Water.

The City entered into a Water Supply Agreement dated as of September 28, 2009 (the "Water Supply Agreement") with the CUWCD pursuant to which the City agreed to purchase annually 10,000 af of water from the CUWCD beginning in fiscal year 2019-2020. In consideration for the delivery of the 10,000 af, the City agreed to pay a one-time development fee of $6,200 per af (or $62,000,000) (the "Development Fee") to cover its share of construction and acquisition costs of the infrastructure required to deliver water to the City under the Water Supply Agreement. Furthermore, the City agreed to pay approximately $314 per af ($3,140,000) annually thereafter (the "Water Fee"). The Development Fee is a one-time charge that is due the year prior to the time the City is scheduled to begin taking water. The Water Fee commences to be payable the month after the Development Fee is paid and is payable monthly thereafter. Both the Development Fee and the Water Fee are payable by the City regardless of whether the City calls for or uses any of the water in any given year. The Water Supply Agreement is perpetual in nature. However it may be terminated upon mutual agreement of the parties or if the City defaults in its performance thereunder and the CUWCD determines in its sole discretion to terminate the Water Supply Agreement. The termination of the Water Supply Agreement does not relieve the City of any then past due obligations but it is relieved of any future payment obligations after termination. Water supplied to the City from the CUWCD will be delivered at four connection points strategically located throughout the City. Those connections will range in size from 12" to 24" and the water will be metered at these points. The CUWCD has constructed its system to match the City's Zone 1 pressures so that no pumping is needed to convey water from those connection points to the Zone 1 culinary storage facilities.

At the same time that the City executed the Water Supply Agreement, it entered into a Water Credit Agreement dated as of November 25, 2009 (the "Water Credit Agreement") with Property Reserve, Inc. ("PRI") and The Corporation of the Presiding Bishop of the Church of Jesus Christ of Latter-Day Saints ("CPB"). Pursuant to the Water Credit Agreement, PRI agreed to pay all fees due to the CUWCD under the Water Supply Agreement in exchange for water rights "credits" to be used by PRI for new development within the City. Pursuant to the Water Credit Agreement, PRI agreed to fund an account for the payment of the Development Fee 12 months prior to the payment date of such fee. In an effort to provide additional security and another source of payment for the obligations owing under the Water Credit Agreement, the City, PRI, CPB, and ZB, National Association, formerly Zions First National Bank, as escrow agent (the "Escrow Agent") have executed an Escrow Agreement dated as of May 19, 2014 (the "Escrow Agreement"). Pursuant to the Escrow Agreement, PRI has agreed to deposit into an escrow account (the "Escrow Account") certain U.S. securities, U.S. Government Agency Securities or cash (the "Securities"). Amounts on deposit in the Escrow Account can be used solely to pay obligations owing under the Escrow Agreement. The Escrow Account consists of a "Development Charge Subaccount" and an "Annual Water Fee Subaccount." The par amount of the securities on deposit in the Development Charge Subaccount will at all times equal or exceed the cost of the one-time Development Fee to CUWCD in the amount of $62,000,000, times a fraction, the denominator of which is 10,000 and the numerator of which is 10,000 minus the number of "Water Credits" that have, as of the date of calculation, been dedicated to the City (the "PRI Development Charge Obligation"). A "Water Credit" represents the equivalent of water received by the City under the CWP Contract and is deemed dedicated to a water connection when an impact fee is paid to the City for the property to be served by such connection. Upon execution of the Escrow Agreement, the Development Charge Subaccount was initially funded with securities with a par amount equal to the PRI Development Charge Obligation. The Escrow Agreement also requires PRI to fund the Annual Water Fee Subaccount in an amount equal to (i) the per acre-foot Annual Water Fee imposed by CUWCD, times (ii) 10,000 acre feet, times (iii) a fraction, the denominator of which is 10,000, and the numerator of which is 10,000 minus the number of Water Credits dedicated to the City (the "PRI Annual Payment Fee Obligation"). The current PRI Annual Payment Fee Obligation is approximately $5,503,496. It is anticipated that the initial deposit into the Annual Water Fee Subaccount will be made on July 1, 2017, with monthly payments to the City from that Subaccount commencing in August 2019. Each year the City will calculate the PRI Payment Fee Obligation and PRI will adjust the Securities on deposit to satisfy that obligation. Once the initial deposit is made, and monthly payments commence, the City anticipates that at least two years of payments to CUWCD will be on deposit in the Annual Water Fee Subaccount at all times. In the event amounts in either of the

Subaccounts are less than the amount to be on deposit therein, PRI shall replenish the Securities in such amount to restore the value of the Securities to at least the proper amount. The Escrow Agreement shall remain in effect for the duration that PRI has a payment obligation under the Water Credit Agreement and may be terminated by written agreement of all the parties thereto. See "CERTAIN INVESTMENT CONSIDERATIONS—The Water Supply Agreement."

As of the date of this Official Statement, CUWCD and the City are considering amending the Water Supply Agreement. Concurrently with such amendment, the City will amend the Water Credit Agreement with PRI and CPB. The terms that are being evaluated include the timing of the capital construction of the project, a modified water takedown schedule, and other funding options that exist within the current scope of the agreement. The City, PRI and CPB have previously defined payment obligations for the Annual Water Fee; the contemplated amendment may modify the capital recover portion of that fee and the annual operation, maintenance, and recovery fees between the parties to address the modified water takedown schedule. The modifications to these agreements will reduce the overall project costs and reduce the obligations of the City. The contemplated amendments may result in the prepayment of the one-time Development Fee of $62,000,000 on July 1, 2017. The modifications of both agreements will not remove the requirements of the Escrow Agreement or obligations of PRI to fund the deposits into the Annual Water Fee Subaccount for future Annual Water Fee payments for their costs under the Water Credit Agreement although those terms may be modified in the City's best interest.

<u>Secondary Water Facilities</u>: The Secondary Water Facilities utilize water from four irrigation grade wells, the Utah Lake Distributing Canal (the "ULDC"), and the Spring Creek Canal. The City currently has secured more than 2,600 af of secondary water for the deep wells, approximately 600 af in the Utah Lake Distributing Canal, and 105 af in the Spring Creek Canal. The pipes, reservoirs, pump stations, valves, controls and other improvements making up the Secondary Water Facilities are constructed upon land owned by the City or on public rights-of-way. Secondary wells are located on the west side of the Jordan River and are typically drilled to a depth of approximately 1,000 feet with water being generated from water-bearing strata between 400 to 1,000 feet deep. Some well pumps are lined-shaft driven while others are submersible. The City has equipped its wells with transfer switches so that in the event of a power outage, power can be supplied by portable emergency diesel backup power generation systems. Water generated from those wells meets or exceeds all local, State, and federal quality standards for secondary water.

The City currently has secured more than 2,600 acre-feet of secondary water for the deep wells in its Secondary Water Facilities, 105 af in the Spring Creek Canal, and almost 600 af in the ULDC which the City believes is sufficient to meet the current and future demands of development and will continue to acquire additional water rights as needed. All new development is required to either deliver to the City the required water rights or to purchase from the City the necessary water rights for each project. Water right funds collected are used to purchase new rights so that there is always a pool of available rights to support growth.

The City has five City-owned above ground storage reservoirs with a storage capacity of approximately 44.5 acre-feet. The reservoirs are either lined with reinforced concrete or high density polyethylene (HDPE) and are strategically located to maintain adequate pressure throughout the System. There are two booster pump stations used to pump water into all zones of the Secondary Water Facilities. The existing Secondary Water Facilities are sufficient to meet the current needs and development demands within the City and the 2016 Project will expand the System to accommodate growth.

On June 21, 2016, the City issued a temporary boil water advisory in the Culinary Water Facilities due to a water shortage in a small area of the City due to low water pressure. This shortage which lasted a few hours due to a booster pump malfunction initiated a 24-hour water boil advisory requirement by the State and resulted in no ongoing issues. Water pressure issues in the affected areas will be corrected with redundant supply provided by improvements included in the Project. The City monitors usage of water and reacts proactively to ensure that supplies meet needs of the System, including shutting off water to users who excessively use water during daytime hours.

Water Usage

The following table sets forth culinary water usage of the City for the years shown. The City began metering secondary water usage in the spring of 2016 and therefore numerical information regarding its usage is not yet available.

Culinary Water Usage

Calendar Year	Water from City wells in Acre-Feet
2015	1,043.42
2014	1,448.00
2013	1,652.00
2012	1,068.74
2011	1,015.48
2010	926.82
2009	906.50
2008	914.69
2007	769.42

(Source: The City.)

The City's average usage is 42.6 gallons per capita per day ("gas/cap/day") for indoor use and 150.3 gas/cap/day for outdoor use for a total of 192.9 gas/cap/day. The monthly distribution of water usage follows a bell curve distribution with the peak summer monthly usage being approximately twice the average monthly usage. The majority of the water consumption (including both secondary water and culinary water usage) is by outdoor usage, accounting for 78% of the water used.

Major Water Users

The major users of the System for the fiscal year 2015 (based upon revenues for usage of each type of water facility) are set forth on the following tables:

Major Culinary Water Users

Major Users	Type of Business	Dollar Amount of Culinary Water Used	% of total Culinary Water Sales[(1)]
Aldara Apartments	Residential/ Multi Family	$57,262	2.9%
The Gables	Residential/ Multi Family	49,333	2.5
Hillcrest Condos	Residential/ Multi Family	36,099	1.8
Daybreak at Harvest Hills	Residential/ Multi Family	23,186	1.2
West Lake High School	Educational	11,631	0.6
Sergeant Court	Residential/ Commercial	11,247	0.6
Wal Mart	Commercial	8,773	0.4
Top Stop Gas Station	Commercial	4,765	0.2
McLaughlin Farms	Commercial Retail	4,604	0.2
Smith's Food King	Commercial/Food	3,964	0.2
Total		$210,864	10.6%

(1) Total culinary water sales for fiscal year 2015 were $1,954,633.

Major Secondary Water Users

Major Users	Type of Business	Dollar Amount of Secondary Water Used	% of total Secondary Water Sales[(1)]
Saratoga Springs HOA	Residential	$56,561	3.1%
West Lake High School	Educational	45,103	2.5
Harvest Hills HOA	Residential	26,477	1.4
Villages HOA	Residential	16,537	0.9
Stillwater HOA	Residential	14,753	0.8
Aspen Hills Elementary	Educational	13,165	0.7
Solacium New Haven LLC	Educational	11,222	0.6
Saratoga Shores Elementary	Educational	10,755	0.6
Harvest Elementary	Educational	9,957	0.5
The Gables	Residential/ Multi Family	9,027	0.5
Total		$213,557	11.6%

(1) Total secondary water sales for fiscal year 2015 were $1,831,277.

Water Connections

For fiscal year 2016, the System had 6,878 culinary water connections. Approximately 98% of all connections are residential connections and the remainder are commercial, schools, churches, and City and other government facilities. Culinary water connections and secondary water connections are expected to closely approximate each other. The following table shows the total culinary water connections for the last ten years.

Fiscal Year[(1)]	Total Connections	Percent Change
2016	6,878	9.49 %
2015	6,282	6.49
2014	5,899	2.48
2013	5,756	–
Calendar Year[(1)]		
2012	5,322	20.5%
2011	4,416	8.0
2010	4,089	4.5
2009	3,913	5.4
2008	3,714	3.7
2007	3,582	–

(1) Calendar year data beyond 2012 is not available; the City currently tracks this data by fiscal year.

System Rates

The City has full and independent power, as granted by State law, to establish revenue levels and rate design for water 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.

Culinary Water: Culinary water rates consist of a base rate plus a fee per 1,000 gallons used (after a 3,000 gallon allotment) based on three tiers of water usage. The culinary water rate structure also includes a separate schedule for commercial and industrial users of culinary water with a graduated base fee based on meter size plus a fee for all water use. The table below shows the rates effective March 1, 2014 for residential and non-residential culinary water users.

Residential Culinary Water Rates

Monthly Water Use (in Gallons)	Monthly Base Rate	Additional Usage Fee (per 1,000 Gallons)
0 – 3,000	$17.75	$ –
3,001 – 7,000	17.75	2.40
7,001 – 12,000	17.75	3.25
12,001+	17.75	4.00

The City estimates that the average culinary water bill for City residents in calendar year 2016 based on the above rates and an average monthly consumption of 6,000 gallons is approximately $25.

Non-Residential Culinary Water Rates

Meter Size	Monthly Base Rate	Usage Fee (per 1,000 Gallons)[(1)]
3/4"	$17.75	$1.65
1"	23.08	1.65
1.5"	28.40	1.65
2"	46.15	1.65
3"	177.50	1.65
4"	225.43	1.65
6"	339.03	1.65
8"	468.60	1.65

(1) Usage fee after 3,000 gallon monthly allotment.

The City serves more than 94 commercial culinary connections covering approximately 90 acres, a golf course on 179 acres, a medical clinic on 6.5 acres, 16 church sites covering approximately 66 acres, approximately 341 acres of open space for public and private parks, 3 private schools covering approximately 24 acres, and 7 public schools covering 148 acres.

The following table shows the culinary water rates for the fiscal years indicated.

Historical Culinary Water Rates

Year	Base Rate	Usage Rate (per 1,000 Gallons)
2015-2016	$17.75	$2.40 – $4.00
2014-2015	$17.75	$2.40 – $4.00
2013-2014[(1)]	$17.75[(1)]	$2.40 – $4.00[(1)]
2012-2013	15.08	1.55
2011-2012	15.08	1.55
2010-2011	15.08	1.40
2009-2010	13.00	1.40
2008-2009	10.93	1.18

(1) As discussed above, the City restructured its water rates as of March 1, 2014. The information shown above for fiscal year 2013-2014 reflects the new structure for residential culinary water rates only. Prior to the restructure residential and non-residential culinary water rates were the same.

The City also charges impact and connection fees for connecting to the Culinary Water Facilities. These impact fees can only be used to pay for capital improvements which are growth related and itemized on the City's plan for the Culinary Water Facilities. The impact fee cannot be higher than the fee justified by an impact fee analysis. The City completed an updated impact fee analysis and adopted a new culinary water impact fee schedule which became effective July 28, 2014. The City estimates that the average impact fee for a new single-family dwelling is $3,823. As previously stated, two-thirds of the connection fee for culinary water is allocated to the payment of the Settlement Obligation. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Settlement Obligation."

Secondary Water: As of July 1, 2015, the City switched to a metered rate structure which includes a base fee plus a usage fee based on percentage used of a water allotment assigned to each property based upon the size of property. The tables below summarize the components of this rate structure.

Base Fee

Property Type	Base Fee
Single Family Residential	$16.25 per quarter acre
Non-Single Family Residential (1)	$65.00 per irrigable acre

(1) This fee includes commercial, industrial, institutional, condominiums or any other non-single family property whereon the City has a record of the irrigable acreage.

Water Allotment

Property Type	Monthly Water Allotment (in 1,000 gallons)
Single Family Residential	Gross lot acreage multiplied by 108.793732
Non-Single Family Residential	Irrigable lot area multiplied by 152.99127

Secondary Water Usage Rates

Allotment Use	Usage Rate
0 to 75% of allotment	$0.35 per 1,000 gallons
75% to 100% of allotment	$1.00 per 1,000 gallons
100% to 150% of allotment	$1.25 per 1,000 gallons
150% to 200% of allotment	$2.00 per 1,000 gallons
200% to 250% of allotment	$3.00 per 1,000 gallons
Above 250% of allotment	$3.80 per 1,000 gallons

Prior to July 1, 2015, service charges for the use of Secondary Water Facilities were based on a fixed rate based on lot size. The following table depicts the secondary water rates for the preceding five fiscal years under the prior rate structure:

Historical Secondary Water Rates

Year	Per Acre
2014-2015	$104.72
2013-2014(1)	104.72(1)
2012-2013	67.48
2011-2012	61.48
2010-2011	57.89

(1) The information shown above for fiscal year 2013-2014 reflects a rate increase that became effective March 1, 2014. Prior to the rate increase the rate was the same as for fiscal year 2012-2013.

Concurrently with the City's new culinary water impact fee schedule, the City also adopted a new secondary water impact fee schedule, also effective July 28, 2014. Under the new schedule the secondary water impact fee is calculated as the sum of four components charged per equivalent residential connection ("ERC"): source, storage, water rights, and planning fees. An ERC for secondary water is .16 irrigated acre. The City calculates the number of ERCs required for each new development activity based on the irrigated acreage associated with the proposed activity. As an alternative to a monetary amount, the City also accepts payment for the water rights component of the secondary water impact fee by surrender of an equivalent pre-paid water right credit or dedication of an equivalent. The City estimates that a typical single family residential connection requiring 0.16 irrigated acres would have an impact fee of $3,853.

These impact fees can only be used to pay for capital improvements which are growth related and itemized on the City's Secondary Water Master Plan. It is anticipated that the City will modify the secondary water impact fee in 2017 to capture the costs associated with the projects funded by the Series 2016 Bonds.

Connection, Billing, and Collection Process

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, recreation or other purposes, which are situated within the City to connect to the System. Residential developers are required to construct the appropriate water facilities to connect their development to the System. The City has also adopted a disconnection policy for nonpayment of bills for water and utility services.

Pursuant to the City's mandatory connection policy, connection to the System is required within thirty days after the property receives a notice to connect. In the event connection is not made within thirty days, the connection fee is due and payable as if the connection had been made.

All of the City's culinary water customers are metered. Meters are read monthly by the City. Utility bills for use of the System are generated monthly and are due at the end of each month. Unpaid bills are assessed a 1/2% late fee on balances greater than $1.00. If payment is not made after sixty days, service may be discontinued and a fee of $15 is charged for reconnection the first time, $25 for reconnection the second time, $50 for reconnection the third time and $100 for each time thereafter.

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Historical and Pro Forma Net Income and Debt Service Coverage

The following table sets for certain historical financial information with regard to the System:

HISTORICAL NET INCOME AND DEBT SERVICE COVERAGE[1]

	Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
Operating Revenues	$2,354,465	$2,539,626	$3,268,055	$4,772,755	$4,378,341
Operating Expenses	2,096,852	2,599,169	2,424,420	2,919,369	3,447,349
Operating Income	257,613	(59,543)	843,635	1,853,386	930,992
Non-Operating Revenues[2]	2,439,482	3,633,706	2,740,391	1,491,627	5,798,225
Income Available for Debt Service	$2,697,095	$3,574,163	$3,584,026	$3,345,013	$6,792,217
Debt Service					
Series 2005 Bonds	147,590	147,365	–	–	–
Series 2006 Bonds	233,403	232,763	–	–	–
Series 2009 Bonds	78,240	78,326	–	–	–
Series 2014 Bonds	–	–	458,437	158,291	692,425
Total Debt Service	$459,233	$458,454	$458,437	$158,291	$692,425
Debt Service Coverage	5.87x	7.80x	7.82x	21.13x	9.7x

(1) Previously Allocated Revenues are excluded from Operating and Non-Operating Revenues. Depreciation is excluded from Operating Expenses. Such modifications mean the numbers in this table will not match numbers in the City's audited financial statements.

(2) Non-operating revenues and resulting debt service coverage differ from audited financial statements due to the exclusion of special assessments collected from a special assessment area and accounted for in the Water Fund. Those special assessment revenues are not part of Revenues.

The following table summarizes the projected operations of the System and the projected debt service coverage for the Bonds.

PRO FORMA NET INCOME AND DEBT SERVICE COVERAGE[1]

	Fiscal Year Ending June 30,				
	2017	2018	2019	2020	2021
Operating Revenues[2]	$4,203,835	$4,361,481	$4,770,106	$5,259,772	$5,795,284
Operating Expenses	3,232,357	3,113,046	3,284,467	3,543,641	3,750,098
Operating Income	971,477	1,248,435	1,485,639	1,716,131	2,045,185
Non-Operating Revenues[3]	2,340,000	2,344,000	1,348,200	1,352,610	1,357,241
Income Available for Debt Service	$3,311,477	$3,592,435	$2,833,839	$3,068,741	$3,402,426
Debt Service					
Series 2014	693,925	690,275	691,475	692,475	693,275
Series 2016[4]	170,989	450,000	550,000	635,950	637,425
Total Debt Service	$864,914	$1,140,275	$1,241,475	$1,328,425	$1,330,700
Rate Stabilization Fund ("RSF")	$400,000	$400,000	$400,000	$400,000	$400,000
Debt Service Coverage (Overall)	4.29x	3.50x	2.60x	2.61x	2.86x
Debt Service Coverage without impact fees, with RSF	1.59	1.45	1.52	1.59	1.84
Debt Service Coverage without impact fees or RSF	1.12	1.09	1.20	1.29	1.54

(1) This table does not include amounts owing or received under the Water Supply Agreement or Water Credit Agreement, respectively, as such amounts, including the funds in the Escrow Agreement, are expected to net each other out and have no effect on the net income of the System.

(2) Previously Allocated Revenues are excluded from Operating and Non-Operating Revenues. Depreciation is excluded from Operating Expenses.

(3) Non-operating revenues and resulting debt service coverage exclude special assessments collected from a special assessment area and accounted for in the Water Fund. Those special assessment revenues are not part of Revenues.

(4) Assumes the issuance of the Series 2016 Bonds with an average interest rate of 2.50% per annum. Preliminary; subject to change.

(5) Amounts on deposit in the Rate Stabilization Fund may be used at any time by the District for any lawful purpose. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Stabilization Fund and Other Available Funds," herein.

(Source: The Municipal Advisor and the City.)

Five-Year Financial Summaries

The summaries contained herein were extracted from the City's general purpose financial statements for the years ended June 30, 2011 through June 30, 2015, and the City's preliminary, unaudited financial statements for the fiscal year ended June 30, 2016. These summaries have not been audited. See "APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2015" herein.

CITY OF SARATOGA SPRINGS
Statement of Net Position—Proprietary Funds–Water Utility
(This summary has not been audited.)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$5,275,321	$4,383,024	$3,877,666	$3,271,955	$2,464,048
Due from Other Funds	4,145,393	265,151	–	–	–
Cash - restricted	2,814,571	646,003	675,132	–	–
Accounts receivable - net	303,332	242,930	226,035	206,757	237,963
Inventory	36,955	55,429	73,906	92,382	92,382
Customer deposits	–	–	–	160,255	–
Cash with fiscal agent	–	–	–	645,786	–
Total Current Assets	12,575,572	5,592,537	4,852,739	4,377,135	2,794,393
Noncurrent Assets:					
Capital Assets:					
Water Capacities	56,783,823	51,648,591	49,908,425	10,950,988	10,950,988
Culinary Water System	17,867,846	17,363,173	17,241,199	54,753,018	56,435,835
Water Rights	15,699,164	15,231,188	14,998,026	14,792,562	14,659,649
Secondary Irrigation Water System	8,117,962	8,117,962	7,681,621	7,161,335	5,634,300
Construction in Progress	784,606	1,035,399	102,868	131,372	26,643
Equipment	527,448	493,028	407,687	347,032	347,032
Accumulated Depreciation	(21,839,243)	(19,501,863)	(17,214,156)	(14,113,305)	(12,828,301)
Net Capital Assets	77,941,606	74,387,478	73,125,670	74,023,002	75,226,146
Pension assets	210	–	–	–	–
Restricted Cash and Investments	–	–	–	19,595	731,363
Bond Issuance Costs, Net	–	–	–	148,141	230,121
Total Noncurrent Assets	77,941,816	74,387,478	73,125,670	74,190,758	76,187,630
DEFERRED OUTFLOWS OF RESOURCES					
Pension	62,020	–	–	–	–
Total Assets and Deferred Outflows	$90,579,408	$79,980,015	$77,978,409	$78,567,893	$78,982,023

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Continued – Statement of Net Position—Proprietary Funds–Water Utility

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
LIABILITIES					
Current Liabilities:					
Due to other funds	$4,176,516	$1,396,275	$296,275	$366,700	$ –
Bonds and Contracts payable - current	1,592,000	1,515,000	1,403,000	1,409,374	436,000
Culinary Water System Settlement	–	–	–	–	1,050,000
Accounts Payable	664,493	291,450	127,241	89,279	207,751
Customer Deposits	116,530	126,760	187,541	160,255	155,677
Accrued interest payable	31,889	97,369	90,301	95,225	136,854
Compensated Absences	5,740	13,623	11,817	12,148	36,303
Capital leases payable – current	1,786	2,177	1,641	2,653	8,199
Total current liabilities	6,588,954	3,442,654	2,117,816	2,135,634	2,030,784
Noncurrent Liabilities:					
Compensated Absences	14,030	16,889	15,009	11,655	8,596
Net pension liability	108,736	–	–	–	–
Bonds and Contracts payable	22,971,639	18,269,960	20,130,460	7,591,000	9,358,000
Culinary Water System Settlement	–	–	–	14,035,460	14,921,500
Capital Leases payable	2,825	4,145	6,325	7,988	10,969
Total Noncurrent Liabilities	23,097,230	18,290,994	20,151,794	21,646,103	24,299,065
Total Liabilities	29,686,184	21,733,648	22,269,610	23,781,737	26,329,849
DEFERRED INFLOWS OF RESOURCES					
Pension	37,163	–	–	–	–
NET POSITION					
Net Investment in Capital Assets	53,373,356	54,596,196	51,584,244	52,912,547	49,671,599
Unrestricted	4,668,134	3,650,171	4,124,555	(1,548,396)	498,201
Restricted for bond proceeds/improvements	2,814,571	–	–	3,111,060	1,751,011
Restricted for Debt Service	–	–	–	310,945	731,363
Net Position	60,856,061	58,246,367	55,708,799	54,786,156	52,652,174
Total Liabilities, Deferred Inflows, & Net Position	$90,579,408	$79,980,015	$77,978,409	$78,567,893	$78,982,023

(Source: Information extracted from the City's 2011 through 2015 audited basic financial statements. This summary has not been audited.)

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances—Proprietary Funds–Water Utility
(This summary has not been audited.)

	Fiscal Year Ended June 30,				
	2016[1]	2015	2014	2013	2012
Operating Revenues:					
Charges for Services	$4,372,041	$4,772,755	$3,268,055	$2,539,626	$3,985,975
Connection and Other Fees	2,483,335	1,674,878	1,371,388	1,654,381	181,345
Other	6,300	65,290	52,648	91,425	6,569
Total Operating Revenues	6,861,676	6,512,923	4,692,091	4,285,432	4,173,889
Operating Expenses:					
Personnel	523,942	459,737	491,343	434,498	374,881
Supplies and Maintenance	971,750	243,693	546,398	742,312	334,702
Professional Services	87,405	275,029	36,320	33,933	219,226
Administrative	1,107,437	1,063,023	714,513	759,076	749,658
Power and Pumping	446,767	469,717	498,993	319,516	401,080
Treatment and sanitation	323,885	408,170	164,753	301,414	4,800
Depreciation	2,580,753	2,362,626	2,287,721	2,242,027	2,144,295
Other	–	–	8,420	8,420	12,505
Total Operating Expenses	6,041,939	5,281,995	4,748,461	4,841,196	4,241,147
Operating Income (Loss)	819,737	1,230,928	(56,370)	(555,764)	(67,258)
Nonoperating Revenues (Expenses):					
Investment Earnings	64,350	92,607	31,657	18,390	31,749
Interest Expense and Fiscal Charges	(312,011)	(195,861)	(253,237)	(261,352)	(408,538)
Total Nonoperating Revenues (Expenses)	(247,661)	(103,254)	(221,580)	(242,962)	(376,789)
Net Income (Loss) Before Transfers	572,076	1,127,674	(277,950)	(798,726)	(444,047)
Capital Contributions	13,686,713	1,611,082	1,530,820	–	738,210
Impact Fees	3,612,075	–	1,284,698	1,869,510	2,219,819
Transfers	(37,387)	–	–	–	–
Change in Net Position	17,833,477	2,738,756	2,537,568	1,070,784	2,513,982
Total Net Assets – Beginning (Restated)	60,856,061	58,117,305	55,708,799	54,638,015	52,272,174
Total Net Assets - Ending	$78,689,538	$60,856,061	$58,246,367	$55,708,799	$54,786,156

(1) Preliminary; unaudited.

(Source: Information extracted from the City's 2012 through 2015 audited basic financial statements and the City's preliminary, unaudited financial statements for the fiscal year ended June 30, 2016. This summary has not been audited.)

THE CITY

General Information

The City was incorporated in 1997 and is located near Utah Lake in the northwestern portion of Utah County. The City is approximately 30 miles south of Salt Lake City and approximately 22 miles northwest of Provo. The City had 25,407 residents according to the 2015 estimate of the U.S. Census Bureau, which ranks the City at approximately the 42nd most populous city (out of approximately 243 municipal entities in the State) and the fastest growing City in the State according to the 2010 Census.

Form of Government

State statutes detail the functions to be performed by State municipalities. Title 10 of Utah Code, generally sets out laws to provide for the incorporation, organization, and classification of cities and towns based upon population. Cities of the fourth class, such as the City, are those with fewer than 30,000 and greater than 10,000 inhabitants. The City is organized under general law and governed by a six–member council consisting of the Mayor (the "Mayor") and five council members who are each elected to serve four–year terms (collectively, the "City Council"). The Mayor presides over all City Council meetings but may not vote, except in case of a tie vote by the council members and certain other circumstances specified under State law. The City Council has appointed a city manager to perform and execute administrative duties and functions delegated by the City Council to the city manager.

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.

Current members serving as Mayor, City Council and City administration and their respective years in office are as follows:

Office	Person	Years of Service	Expiration Of Term
Mayor	Jim Miller(1)	3	January, 2018
Councilmember	Chris Porter	1	January, 2020
Councilmember	Michael D.S. McOmber	7	January, 2018
Councilmember	Steven Willden	3	January, 2018
Councilmember	Bud Poduska	9	January, 2020
Councilmember	Shellie Baertsch	5	January, 2020
City Manager	Mark Christensen	6	Appointed
Assistant City Manager	Spencer Kyle	13	Appointed
Finance Director	Chelese Rawlings	4	Appointed
City Recorder	Cindy LoPiccolo	1	Appointed
City Treasurer	Debbie Elms	10	Appointed
City Attorney	Kevin Thurman	5	Appointed
Public Works Director	Jeremy Lapin(2)	6	Appointed
Assistant Public Works Supervisor	George Leatham	14	Appointed
City Engineer	Gordon Miner	1	Appointed

(1) Prior to being elected Mayor, Mr. Miller served for four years as a councilmember.
(2) Mr. Lapin worked as an engineering consultant for the City for 4 years prior to becoming an employee, served until 2015 as City Engineer, and started in October 2016 was appointed Public Works Director.

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 Appropriation Process

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 the 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, but must file 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 in 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.

Employee Work Force and Retirement System

The City currently employs approximately 103 full-time employees, 125 part-time employees, and 15 seasonal employees for a total employment of approximately 243 employees.

The City is a member of the Utah State Retirement Systems ("URS Systems"). The URS Systems are multiple-employer, cost-sharing defined benefit pension plans. The URS Systems cover substantially all eligible public employees of the State and education employees as well as participating local government entities. The City is required to contribute a portion of URS Systems' plan members' salary. The Net Pension Liability and Net Pension Asset of the City at December 31, 2014, were $43,059 and $1,719,308, respectively.

A copy of the most recent financial statements of the URS Systems may be found at the URS Systems' website at www.urs.org. The reference herein to the financial statements of the URS Systems are included for the convenience of the reader and the City makes no representation as to the information presented in such statements or at such website.

The City also participates in three defined compensation plans for qualifying employees. For further information on the City's retirement plans, see "APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2015–Notes To Basic Financial Statements–Note 6. —Retirement Plans" herein.

Other Post-Employment Benefits

The City reports that it has no other post-employment benefit liabilities other than those mentioned above.

Risk Management

The City provides for its general liability, property, and other risk insurance through various commercial insurance policies. The City believes its risk management policies and coverages are normal and within acceptable coverage limits for the type of services the City provides. Losses have not exceeded coverage during the last three years. See "APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2015–Notes To Basic Financial Statements—Note 11. Risk Management" herein.

Investment of Funds

Investment of Operating Funds; The Utah Money Management Act. The Money Management Act governs the investment of all public funds held by public treasurers in the state. It establishes criteria for investment of public funds with an emphasis on safety, liquidity, yield, matching strategy to fund objectives, and matching the term of investments to the availability of funds. The Money Management Act provides a limited list of approved investments, including investments of qualified in-state and permitted out-of-state financial institutions, approved government agency securities and investments in corporate securities carrying "top credit ratings." The Money Management Act also provides for pre-qualification of broker dealers requiring that broker dealers must agree in writing to comply with the Money Management Act and certify that they have read and understand the Money Management Act. The Money Management Act establishes the Money Management Council (the "Money Management Council") to exercise oversight of public deposits and investments. The law requires all securities to be delivered via payment to the public treasurer or to the treasurer's safekeeping bank. It requires diversification of investments, especially in securities of corporate issuers. Not more than 5% of the portfolio may be invested with any one issuer. Investments in mortgage pools and mortgage derivatives or any security making unscheduled periodic principal payments are prohibited. The Money Management Act also defines the State's prudent investor rules. 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 of the provisions of the Money Management Act for all City operating funds. A significant portion of the City funds are invested in the Utah Public Treasurers Investment Fund ("Treasurer's Fund"), as discussed below in this section.

The Utah Public Treasurer's Investment Fund. The Treasurer's Fund is a public treasurer's investment fund, established in 1981, and managed by the State Treasurer. The Treasurer's Fund invests to ensure safety of principal, liquidity and a competitive rate of return on short-term investments. All moneys transferred to the Treasurer's Fund are promptly invested in securities authorized by the Money Management Act. Safe-keeping and audit controls for all investments owned by the Treasurer's Fund must comply with the Money Management Act.

All investments in the Treasurer's Fund must comply with the Money Management Act and rules of the Money Management Council. The Treasurer's Fund invests primarily in money market securities including time certificates of deposit, top rated commercial paper, treasuries and certain agencies of the U.S. Government. The maximum weighted average adjusted life of the portfolio, by policy, is not to exceed 90 days.

By law, investment transactions are conducted only through certified dealers, qualified depositories or directly with issuers of the securities. Securities owned by the Treasurer's Fund are completely segregated from securities owned by the State. The State has no claim on assets owned by the Treasurer's Fund except for any investment of State moneys in the Treasurer's Fund. Deposits are not insured or otherwise guaranteed by the State. However, it is the stated intent of the State Treasurer to manage a stable net asset value pool and maintain a net asset value that does not deviate by more than $0.005.

Securities in the Treasurer's Fund include certificates of deposit, commercial paper, short-term corporate notes, obligations of the U.S. Treasury and securities of certain agencies of the U.S. Government. These short-term securities must be rated "first tier" ("A1," "P1," for short-term investments and "A" or better for long-term investments) by two nationally recognized statistical rating organizations, one of which must be Moody's or S&P. These securities represent limited risks to governmental institutions investing with the Treasurer's Fund. Variable rate securities in the Treasurer's Fund must have an index or rate formula that has a correlation of at least 94% of the effective Federal Funds rate. The Treasurer's Fund itself is not rated.

Investment activity of the State Treasurer in the management of the Treasurer's Fund is reviewed monthly by the Money Management Council and is audited by the State Auditor.

Financial Records and Statements

The City presently maintains its financial records on a July 1 to June 30 fiscal year basis. See APPENDIX A to this Official Statement for a copy of the City's audited financial statements for the fiscal year ended June 30, 2015.

DEBT STRUCTURE OF THE CITY

Outstanding Municipal Indebtedness of the City

The tables below set forth the outstanding municipal indebtedness of the City as of November 1, 2016.

WATER REVENUE BONDS

Series	Purpose	Original Amount	Final Maturity Date	Principal Amount Currently Outstanding
2014	Improvements/Refunding	$9,995,000	December 1, 2033	$9,575,000
2016[1]	Improvements	9,255,000*	December 1, 2036*	9,255,000*
				$18,830,000*

(1) For purposes of the Official Statement the Series 2016 Bonds are considered issued and outstanding.
* Preliminary; subject to change.

SALES TAX REVENUE BONDS

Series	Purpose	Original Amount	Final Maturity Date	Principal Amount Outstanding
2011	Various Purposes	$4,000,000	June 1, 2031	$3,250,000

SPECIAL ASSESSMENT BONDS

Series	Purpose	Original Amount	Final Maturity Date	Principal Amount Outstanding
2012	Refunding	$3,114,374	April 1, 2029	$1,837,000

NO DEFAULTED OBLIGATIONS

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

CERTAIN INVESTMENT CONSIDERATIONS

The purchase of the Series 2016 Bonds involves certain investment risks that are discussed throughout this Official Statement. No prospective purchaser of the Series 2016 Bonds should make a decision to purchase any of the Series 2016 Bonds without first reading and considering the entire Official Statement, including all Appendices, and making an independent evaluation of all such information. Certain of those investment risks are described below. The list of risks described below is not intended to be definitive or exhaustive and the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General

The Series 2016 Bonds are payable from and secured by a pledge and assignment of Net Revenues from the System and moneys on deposit in the funds and accounts held by the Trustee under the Indenture. Future economic conditions, weather conditions, the demand for water services within the City and the surrounding areas, 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 Series 2016 Bonds when due.

Settlement Obligation

As previously stated, the City must pay the Settlement Obligation from Previously Allocated Revenues. Pursuant to the terms of the Settlement Agreement, if the Settlement Obligation paid is not paid in full prior to February 2, 2025, the entire balance of the Settlement Obligation must be paid in full. The Settlement Agreement does not contain any provision regarding how that amount is to be paid. In the event that the Settlement Obligation is not paid by that time, the City will need to provide moneys to pay the Balloon Payment. The City may be able to pay from Revenues or the City may need to use other legally available moneys or the City may need to issue bonds to pay the Balloon Payment. At this time, the City cannot predict the amount, if any, of the Balloon Payment nor how it will be paid.

The Water Supply Agreement

As discussed under "THE SYSTEM–Sources and Supplies of Water," the City entered into the Water Supply Agreement to secure 10,000 af of water from the CUWCD. Pursuant to the Water Supply Agreement, the City agreed to pay a one-time Development Fee of approximately $62,000,000 and Water Fees in the approximate amount of $3,140,000 annually. The City undertook the obligations under the Water Supply Agreement to assist PRI with the development of certain land within and around the City. In order to induce the City to enter into the Water Supply Agreement, PRI and CPB executed the Water Credit Agreement to provide security to the City for its obligations under the Water Supply Agreement. Under the Water Credit Agreement, PRI agrees to set aside funds in the Escrow Account and pay moneys to the City in amounts that permit the City to satisfy its obligations under the Water Supply Agreement. In the event that PRI does not make payments pursuant to the Water Credit Agreement, the City is entitled to draw upon the Escrow Account to satisfy PRI's payment obligations under the Water Credit Agreement. Although PRI has agreed to maintain the value of the Escrow Account in amounts sufficient to pay the Development Fee and the Water Fees, no assurance can be given that the value of the securities in the Escrow Account will be sufficient to pay such amount since the market value and the liquidity for securities fluctuates over time. Furthermore, no representation is made regarding the current or future ability of PRI or EPA to maintain the Escrow Account at the Required Balance. No financial information regarding PRI or EPA or their ability to perform is being included in this Official Statement.

The Water Supply Agreement also provides that amounts due thereunder are payable by the City regardless of whether the City uses any of the water to be provided pursuant to such Water Supply Agreement. The Water Supply Agreement does not specify a source of payment for the amounts payable thereunder nor does it specify a priority of payment for any such amounts. If a court decides or the parties agree that such amounts are Operation and Maintenance Expenses of the System, such amounts would be payable on a basis that is prior to that of the Bonds. The City makes no representation regarding any source of payment for such amounts nor any lien priority between such amounts and the Bonds.

Operation of the System

In order for the City to make timely payment of the principal and interest requirements of the Series 2016 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 Series 2016 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 of 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 make any rate increases due to political, feasibility or other concerns.

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.

INDEPENDENT ACCOUNTANTS

The financial statements of the City as of June 30, 2015 and for the year then ended, included in this Official Statement, have been audited by Litz & Company, PC, Roy, Utah ("Litz & Company"), as stated in their report in APPENDIX A to this Official Statement. Litz & Company has not been asked to consent to the use of its name and audited financial report of the City for fiscal year ended June 30, 2015 in this Official Statement.

Copies of the City's comprehensive annual financial report may be obtained upon request from the City, 1307 North Commerce Drive, Suite 200, Saratoga Springs, Utah 84045.

MUNICIPAL ADVISOR

The City has entered into an agreement with Zions Public Finance (the "Municipal Advisor"), whereunder the Municipal Advisor provides financial recommendations and guidance to the City with respect to preparation for sale of the Series 2016 Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the Series 2016 Bonds. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement, or any other related information available to the City, with respect to accuracy and completeness of such information, and no guaranty, warranty or other representation is made by the Municipal Advisor respecting accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

SALE OF SERIES 2016 BONDS

The Series 2016 Bonds are being sold to the successful bidder at an aggregate purchase price of $__________ (being the par amount of the Series 2016 Bonds plus a [net] original issue premium of $__________, and less a purchaser's discount of $__________). The Series 2016 Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2016 Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the inside front cover pages of this Official Statement and such public offering prices may be changed from time to time.

CONTINUING DISCLOSURE

The City has undertaken for the benefit of the Bondholders and the beneficial owners of the Series 2016 Bonds to provide certain annual financial information and operating data to the Municipal Securities Rulemaking Board (the "MSRB") and to provide notice of certain material events to the MSRB all in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. See APPENDIX D attached hereto and incorporated herein by reference for a form of the Continuing Disclosure Undertaking that will be executed and delivered by the City.

Within the last five years, the City failed to timely file its audited financial statements for fiscal years 2012, 2013, 2014, and 2015 with respect to its sales tax revenue bonds, but subsequently filed those financial statements with the MSRB. The City also failed to timely provide its audited financial statements and operating information with respect to the Series 2014 Bonds for fiscal year 2014, but subsequently filed such information with the MSRB. The City noted these failures to file in its continuing disclosure reports filed with EMMA on February 25, 2015. A failure by the City to comply with the Continuing Disclosure Undertaking will not constitute a default under the Indenture and beneficial owners of the Series 2016 Bonds are limited to the remedies described in the Continuing Disclosure Undertaking. See "APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING—Default." A failure by the City to comply with the Continuing 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 Series 2016 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2016 Bonds and their market price.

LITIGATION

A non-litigation certificate issued by Kevin Thurman, City Attorney, dated the date of closing, will be provided stating, among other things, that to the best of his knowledge, after due inquiry, no action, suit, proceeding, inquiry, or any other litigation or investigation at law or in equity, before or by any court, public board or body, has been served on the City or is threatened, challenging the creation, organization, or existence of the City or the titles of its officers to their respective offices or seeking to restrain or enjoin the issuance, sale, or delivery of the Series 2016 Bonds or for the purpose of restraining or enjoining the levy and collection of taxes or assessments by the City, or directly or indirectly contesting or affecting the proceedings or the authority by which the Series 2016 Bonds are issued or the validity of the Series 2016 Bonds or the issuance thereof.

The City notes that, as of the date of this Preliminary Official Statement, there is outstanding litigation involving the City concerning a property rights matter, although the plaintiffs and City have signed a settlement agreement that will become final once the applicable statute of limitation expires. The City does not currently expect to have any financial liability for such claim. However, the case is not yet fully resolved and in the unlikely event the settlement agreement does not become final and financial liability is incurred after exhausting all other legal possibilities, the claim could have a material impact on its general fund, but the City would ultimately have access to judgment property tax levies to promptly mitigate against such impact. In any event, the City does not expect to see any material impact on the Net Revenues securing the Series 2016 Bonds as a result of outstanding litigation.

LEGAL MATTERS

The authorization and issuance of the Series 2016 Bonds is subject to the approval of legality by Ballard Spahr LLP, Bond Counsel to the City. Certain matters relating to disclosure will be passed upon for the City by Ballard Spahr LLP, Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by Kevin Thurman, City Attorney. The approving opinion of Bond Counsel will be delivered with the Series 2016 Bonds. A copy of the form of the opinion of Bond Counsel is set forth in APPENDIX E of this Official Statement.

TAX MATTERS

Federal Income Tax

Excludability of Interest. In the opinion of Ballard Spahr LLP, Bond Counsel to the City, interest on the Series 2016 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2016 Bonds, assuming the accuracy of the certifications of the City and continuing compliance by the City with the requirements of the Internal Revenue Code of 1986. Interest on the Series 2016 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on Series 2016 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder.

Original Issue Premium. The Series 2016 Bonds may be offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Series 2016 Bond through reductions in the holder's tax basis for the Series 2016 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Series 2016 Bondholders should consult their tax advisers for an explanation of the amortization rules.

Original Issue Discount. Certain of the Series 2016 Bonds may be offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. Original issue discount on a Series 2016 Bond accrues as tax-exempt interest periodically over the term of the Series 2016 Bond. The accrual of original issue discount increases the holder's tax basis in the Series 2016 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Series 2016 Bondholders should consult their tax advisors for an explanation of the accrual rules.

State of Utah Income Tax

Bond Counsel is also of the opinion that interest on the Series 2016 Bonds is exempt from State of Utah individual income taxes under currently existing law.

No Further Opinion.

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 2016 Bonds.

No Bank-Qualification

The Series 2016 Bonds are not bank-qualified.

Changes in Federal and State Tax Laws

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2016 Bonds or otherwise prevent holders of the Series 2016 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2016 Bonds. Further, such proposals may impact the marketability or market value of the Series 2016 Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2016 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Series 2016 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2016 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

BOND RATINGS

S&P Global Ratings ("S&P") is expected to assign to the Series 2016 Bonds its municipal bond rating of "AA" (stable outlook), with the understanding that upon delivery of the Series 2016 Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2016 Bonds will be issued by Assured Guaranty Municipal Corp. See "BOND INSURANCE" herein. S&P has assigned an underlying (unenhanced) rating of "A" to the Series 2016 Bonds. An explanation of such ratings may be obtained from the agency furnishing such rating.

There is no assurance that any rating assigned to the Series 2016 Bonds will be maintained for any period of time or that such rating may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change or withdrawal of such rating may have an adverse effect on the market price of the Series 2016 Bonds.

The City has covenanted in a continuing disclosure undertaking to file on the Electronic Municipal Market Access ("EMMA") service of the MSRB notices of any ratings changes on the Series 2016 Bonds. See the caption "CONTINUING DISCLOSURE UNDERTAKING" above and APPENDIX D—"PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING." Notwithstanding such covenant, information relating to ratings changes on the Series 2016 Bonds will generally be publicly available from the rating agencies furnishing the same prior to or simultaneously with such information being provided to the City. Purchasers of the Series 2016 Bonds are therefore directed to the ratings agencies and their respective websites and official media outlets for the most current information regarding any ratings changes with respect to the Series 2016 Bonds after the initial issuance of the Series 2016 Bonds and prior to the date the City is obligated to file notice of any rating change on EMMA.

MISCELLANEOUS

Additional Information

The City has furnished all information in this Official Statement relating to the City. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates herein will be realized.

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

The obligations of the City are subject to the reasonable exercise in the future by the State of Utah and its governmental bodies of the police power and power of taxation inherent in the sovereignty of the State of Utah, and to the exercise by the United States of the powers delegated to it by the Federal Constitution.

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” by the City for purposes for Rule 15c2-12 of the Securities and Exchange Commission.

This Official Statement has been duly approved, executed and delivered by the City.

SARATOGA SPRINGS CITY, UTAH

By:____
Mayor

APPENDIX A

AUDITED BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2015

Independent Auditor's Report

Honorable Mayor and City Council
City of Saratoga Springs, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Saratoga Springs (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above 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 of the City of Saratoga Springs, Utah, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 11 through 22 and 39 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

[illegible] & Company, PC

Roy, Utah
September 25, 2015

The following narrative is presented to facilitate a better understanding of the City's financial position and results of operations for the year ended June 30, 2015. When read in conjunction with the letter of transmittal and the notes to the financial statements, the financial highlights, overview and analysis should assist the reader to gain a more complete knowledge of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The City's government-wide net position (the amount by which assets exceed liabilities) as of June 30, 2015, were $188,986,438. Of this amount, $25,824,628 (unrestricted net position) is available to meet ongoing financial obligations.

- The City's government-wide net position increased by $7,190,701. Of this amount, business-type activities increased by $6,912,208, a rise of 7.5 percent, and the governmental activities increased by $278,493 an increase of 0.3 percent when compared to last fiscal year.

- The City's governmental funds reported a combined ending fund balance of $16,755,230, an increase of $2,478,894 (17.4 Percent) compared to the beginning of this year's fund balance amount. The increase in fund balance in comparison to last fiscal year is attributable to an increase in unassigned fund balance and committed for capital projects. Of the combined total fund balance, $2,989,076 is available for spending at the discretion of the City (unassigned fund balance).

- The General Fund is the primary operating fund of the City. The unassigned fund balance of the General Fund at June 30, 2015, totaled $2,989,076 and is 22.7 percent of the General Fund total revenues for the year and 16.8 percent of total governmental fund balance.

- The City's total debt had a net increase of $4,647,698 during fiscal year 2015. This represents a 19.2 percent increase over the prior year, this is a result from required debt service payments and the 2014 new issuance of Water bonds coupled with additional capital leases in governmental activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report includes four parts: 1) the independent auditors' report on financial statements and supplementary information; 2) this segment, management's discussion and analysis; 3) the basic financial statements; and 4) supplementary information. Within the basic financial statements are two distinct types of financial statements, 1) the government-wide financial statements, and 2) the fund financial statements. The notes to the financial statements are also an integral part of the basic financial statements. The City's basic financial statements are presented in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* as amended.

Immediately following the notes to the financial statements, the supplementary information includes balance sheets and income statements for non-major governmental funds, as well as other budgetary information.

Government-wide Financial Statements: The government-wide financial statements provide a view of City finances as a whole, similar to a private-sector business. These statements include the Statement of Net Assets and the Statement of Activities.

The **Statement of Net Position** includes all of the City's assets and liabilities, and the resulting difference between the assets and liabilities, or net assets. Net assets (and the related change in net assets from year to year) are probably the most important financial measurement to enable an understanding of the financial position of the City, and whether financial position improves or deteriorates each year. To assess the overall health of the City, additional non-financial factors, such as changes in the property tax base, the condition of the City's infrastructure, etc. should be considered.

The **Statement of Activities** shows how the City's net assets changed as a result of its operations during the most recent fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net assets are reported whenever an event occurs that requires a revenue or expense to be recognized, regardless of when the related cash is received or disbursed (the accrual basis of accounting). For example, most revenues are reported when the revenues are legally due, even though they may not be collected for some time after that date; and an obligation to pay a supplier is reported as an expense when the goods or services are received, even though the bill may not be paid until sometime later.

There are two distinct types of activities reflected in the government-wide statements: governmental activities and business-type activities. Governmental activities are those supported primarily by taxes and intergovernmental revenues, while business-type activities are those in which all costs (or at least a significant portion of costs) are intended to be recovered through user fees and charges. The governmental activities for the City of Saratoga Springs included General Government (Legislative, Administrative, Utility Billing, Treasurer, Recorder, Attorney, Justice Court, Non-Departmental, Buildings and Grounds, Elections, and Planning and Zoning); Public Safety (Communications, Police, and Fire, Building Inspection); Public Works (Building Inspection, Streets, Engineering, Public Improvements and GIS); and Recreation (parks & open spaces, recreation, library, and civic events). The business-type activities include Water, Sewer, Storm Drain, and Garbage.

Fund Financial Statements: The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which the funds are to be spent as well as how the activities are to be controlled. The two broad categories of funds are: governmental funds and proprietary funds.

***Governmental Funds* –** At the fund level, the focus is on changes in short-term spendable resources and the balance available to spend, rather than the long-term focus used for determining government-wide numbers. Because the focus is so different between fund statements and government-wide statements, reconciliations, between the two types of statements is necessary to understand how the numbers differ. Such reconciliations are provided for the reader on pages 29 and 31. The city has three governmental type funds. These are the general fund, the internal service fund and the capital projects funds. Two of these are considered major funds: The basic governmental fund financial statements can be found on pages 27-30 of this report.

- The ***General Fund*** is used to account for all financial resources of the City that are not accounted for by a specialized fund. More specifically, the general fund is used to account for ordinary operations such as collection of tax revenues and general government expenditures. The City adopts an annual appropriation budget for the general fund. On page 31, a budgetary comparison statement has been provided for the general fund to demonstrate budgetary compliance.
- ***Internal Service Fund*** is used to account for the central financing of goods or services provided to various departments of the City or other governments on a cost-reimbursement basis. The City currently has one internal service fund. The Street Lighting Fund provides storage, repair, and maintenance.

- ***Capital Projects Funds*** are used to account for financial resources to be used for the acquisition or construction of major capital improvements. These funds do not account for capital improvements financed by the proprietary funds.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The only proprietary fund type used by the City is enterprise funds. The basic proprietary fund financial statements can be found on pages 33-35 of this report.

- ***Enterprise Funds*** are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City currently operates enterprise funds for the City-owned water system, sewer system, storm drain and garbage.

Notes to the financial statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the basic financial statements as listed in the table of contents.

FINANCIAL ANALYSIS OF THE CITY AS A – WHOLE

Net assets **–** The following table presents summary information for the Statement of net assets for the years ended June 30, 2015 and 2014.

City of Saratoga Springs
Comparative Summary of Net Assets
(in millions of dollars)

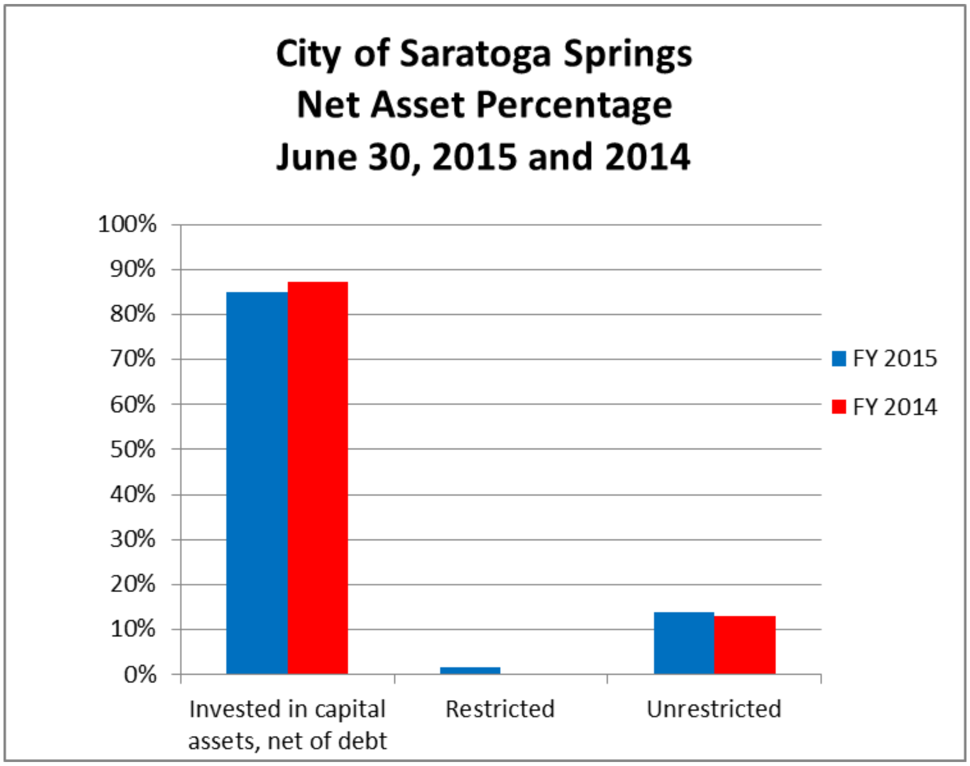
	Governmental Activities		Business-Type Activities		Total		Total %
	2015	2014	2015	2014	2015	2014	Change
Current and other assets	$ 23.8	$ 19.8	$ 17.3	$ 10.4	$ 41.1	$ 30.2	36.1%
Capital assets	77.5	78.2	111.8	103.5	189.3	181.7	4.2%
Total Assets	101.3	98.0	129.1	113.9	230.4	211.9	8.7%
Long-Term debt	5.5	4.0	23.2	18.3	28.7	22.3	28.7%
Other liabilities	5.5	3.9	7.2	3.8	12.7	7.7	64.9%
Total liabilities	11.0	7.9	30.4	22.1	41.4	30.0	38.0%
Net assets							
Invested in capital assets, net of related debt	73.2	74.6	87.1	83.7	160.3	158.3	1.3%
Restricted	0	0.1	2.8	0.0	2.8	0.1	2700.0%
Unrestricted	17.1	15.3	8.8	8.1	25.9	23.4	10.7%
Total net assets	$ 90.3	$ 90.0	$ 98.7	$ 91.8	$ 189.0	$ 181.8	4.0%

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2015, the City's assets exceeded liabilities by approximately $189.0 million (net assets) compared to $181.8 million at June 30, 2014. This would indicate an improved financial position in comparison to last fiscal year. Roughly 84.8 percent at June 30, 2015, and 87.1 percent at June 30, 2014, of these amounts are represented by the investment in capital assets, net of debt still outstanding relating to the acquisition of those assets. Due to the nature of long-term assets (not easily convertible to liquid assets) they are not considered to be available for spending or appropriation. Further, even though the presentation here shows capital assets net of related debt, it should be understood that the repayment of this debt does not come from the capital assets themselves, but comes from other resources. The increase in the City's investment in capital assets net of related debt of $2.0 million was due to the net of routine acquisitions of capital assets, repayments of related debt, and depreciation expense.

Restricted net assets of $2.8 million at June 30, 2015, and $0.1 million at June 30, 2014, represent sources that are subject to external restrictions on how they may be used.

The other sub-classification of net assets is unrestricted. The balance of $25.9 million at June 30, 2015 and $23.4 million at June 30, 2014, which is unrestricted, indicates that this amount may be used to meet general, on-going financial obligations without limitations established by debt covenants or other legal requirements. The increase from last fiscal year is the result of an increase in charges for services for ongoing revenues.

The following graph represents the percentage of restricted and unrestricted net assets as discussed above.



***Changes in Net Assets* –** As taken from the Statement of Activities, the following table signifies the changes in net assets for fiscal years 2015 and 2014.

City of Saratoga Springs
Summary of Change in Net Assets
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total %
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**Change**
Revenues							
Program Revenues							
Charges for Services	$ 8.7	$ 5.6	$ 11.1	$ 10.2	$ 19.8	$ 15.8	25.3%
Operating grants and contributions	0.8	0.1	-	-	0.8	0.1	700.0%
Capital grants and contributions	1.5	2.5	6.6	3.1	8.1	5.6	44.6%
General Revenues							
Property Tax	2.8	2.7	-	-	2.8	2.7	3.7%
Other Taxes	4.0	3.7	-	-	4.0	3.7	8.1%
Investment earnings	0.1	0.1	0.1	0.1	0.2	0.2	0.0%
Other	-	-	-	-	0	0	-100.0%
Total Revenues	17.9	14.7	17.8	13.4	35.7	28.1	27.0%
Expenses							
General government	2.1	2.2	-	-	2.1	2.2	-4.5%
Public safety	5.2	5.0	-	-	5.2	5.0	4.0%
Highways and public improvements	5.4	2.7	-	-	5.4	2.7	100.0%
Parks and recreation	2.7	2.6	-	-	2.7	2.6	3.8%
Interest on long-term debt	0.1	0.1	-	-	0.1	0.1	0.0%
Water utility	-	-	5.5	5.0	5.5	5	10.0%
Sewer utility	-	-	3.2	3.0	3.2	3.0	6.7%
Garbage utility	-	-	0.9	1	0.9	1	-10.0%
Storm drain utility	-	-	1.1	0.9	1.1	0.9	22.2%
Total Expenses	15.5	12.6	10.7	9.9	26.2	22.5	16.4%
Change in net position	2.4	2.1	7.1	3.4	9.5	5.5	72.7%
Net position beginning	87.9	87.9	91.6	88.4	179.5	176.3	1.8%
Net position ending	$ 90.3	$ 90.0	$ 98.7	$ 91.8	$ 189.0	$ 181.8	4.0%

Net position increased from governmental activities in fiscal year 2015 approximately $0.3 million and $2.1 million in fiscal year 2014. The increase is primarily due to increased charges for services. Expenses for governmental activities were higher with a $2.9 million increase. This is mainly due to increase in expenses for capital projects.

Net position increased $6.9 million in fiscal year 2015 and increased $3.4 million in 2014 for business-type activities. The revenues for business-type activities increased in capital grants and contributions due to the 2014 Water Revenue Bonds.

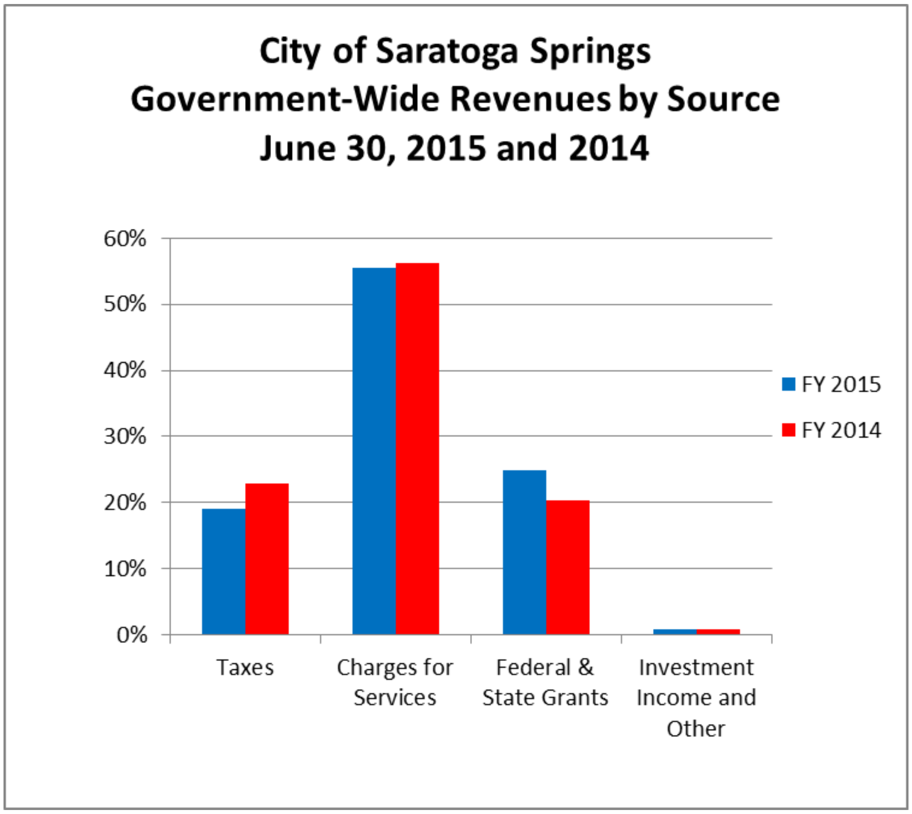
Revenues **–** For the year ended June 30, 2015, the City's government-wide revenues are approximately $35.7 million as compared to the prior year total revenues of $28.1 million. Key elements of this change were as follows:

Of the City's total revenues, about 19.0 percent in fiscal year 2015 and 22.8 percent in fiscal year 2014 resulted from taxes (under half of which is from property taxes) as shown in the following table:

City of Saratoga Springs
(in millions of dollars)

	Government-wide Tax Revenues		Total %
	2015	**2014**	**Change**
Property tax	$ 2.8	$ 2.7	4%
General sales and use tax	2.9	2.6	12%
Franchise fees	0.2	0.2	0%
Energy Tax	0.9	0.9	0%
Total	$ 6.8	$ 6.4	6%

- Charges for services increased in fiscal year 2015 about $4.0 million and increased to 55.5 percent of total revenues in fiscal year 2015 from 56.2 percent in fiscal year 2014. The increase is due to increased collections in general government and business type activities service fees.
- Operating and capital contributions combined increased by $3.2 million in fiscal year 2015. This was due to more capital and operating grant revenues received.
- Investment and other income, which is a combination of interest earnings and gain on the sale of capital assets, stayed approximately the same in fiscal year 2015.



Expenses – The City's government-wide total expenses cover a range of services. For the year ended June 30, 2015, the City's total expenses are $26.2 million compared to the prior year of $22.5 million. Of the $3.7 million increase, general government expenses decreased $0.1 million, public safety increased $0.2, highways and public improvements increased $2.7 million, parks and recreation increased $0.1 million, interest on long-term debt stayed the same, and business-type activities increased by $0.8 million.

Governmental Activities:

Revenue Highlights:

- Taxes encompass a sizable source of revenue for the City's governmental activities: Roughly $6.8 million or 38.0 percent in fiscal year 2015 and $6.4 million or 43.5 percent in fiscal year 2014 of total revenues from governmental activities. The $0.4 million increase is majorly from other taxes.
- Charges for services increased to $8.7 million or 48.6 percent of total revenues from governmental activities in fiscal year 2015 from $5.6 million or 38.1 percent of total revenues in fiscal year 2014. The increase in fiscal year 2015 is a result from the acquisition of a donated park coupled with general increase in charges for services revenues.
- Grant and contribution revenue denotes approximately $2.3 million or 12.8 percent in fiscal year 2015 and $2.6 million or 17.7 percent in fiscal year 2015 of total revenues from governmental activities. The $0.3 million decrease was the effect of a decrease in operating and capital grant contributions due to the City.

Expense Highlights:

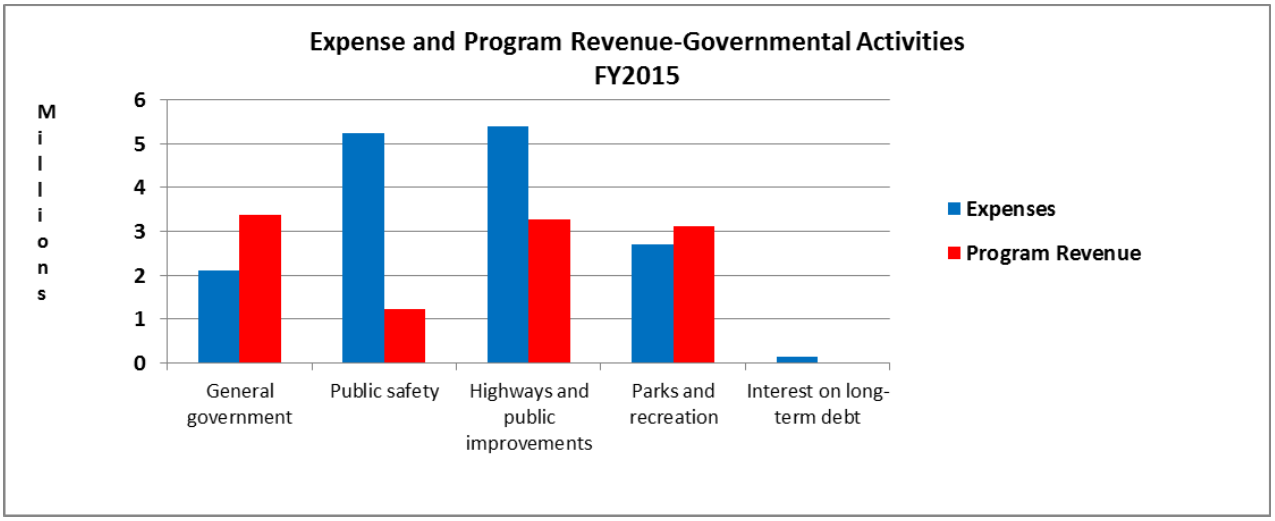
- General government expenses of around $2.2 million in fiscal year 2015 and $2.2 million in fiscal year 2014 represented 13.5 percent in fiscal year 2015 and 17.5 percent in fiscal year 2014 of total expenses from governmental activities. General government includes: Legislative, Administration, Utility billing, Treasury, Recorder, Attorney, Justice Court, Elections, and non-departmental. The $0.1 million decrease is due mainly due to the implementation of the accounting practice of interfund reimbursements as a result of decreasing expenses for the services provided to the business-type activities.
- Public safety expenses were $5.2 million or 33.5 percent in fiscal year 2015 and $5.2 million or 39.7 percent in fiscal year 2014. The expenses increased due to more personnel.
- Highways and public improvements were $5.4 million or 34.8 percent in fiscal year 2015 and $2.7 million or 21.4 percent in fiscal year 2015. The $2.7 million increase is due to road and general capital projects.
- Parks and recreation expenses were $2.7 million or 17.4 percent in fiscal year 2015 and $2.6 million or 20.6 percent in fiscal year 2014. The $0.1 million increase is due to personnel, equipment purchases, capital projects, maintenance and supplies.

As a result, total net expenses that were funded by general revenues were $4.6 million. Tax revenues of $6.8 million were sufficient to fund net expenses in fiscal year 2015.

The following presents the costs and net costs (total cost less fees generated by the activities and intergovernmental aid) of the City's programs:

City of Saratoga Springs
Costs of Governmental Activities
(in millions of dollars)

	Total Cost of Services		Net Cost of Services		Total %
	2015	**2014**	**2015**	**2014**	**Change**
General government	$ 2.1	$ 2.2	$ (1.3)	$ (0.6)	116.7%
Public safety	5.2	5.0	4.1	3.9	5.1%
Highways and public improvements	5.4	2.7	2.1	(1.0)	310.0%
Parks and recreation	2.7	2.6	(0.4)	2.0	-120.0%
Interest on long-tem debt	0.1	0.1	0.1	0.1	100.0%
Total	$ 15.5	$ 12.6	$ 4.6	$ 4.4	4.5%



Based on Government-Wide Financial Statements. See page 26.

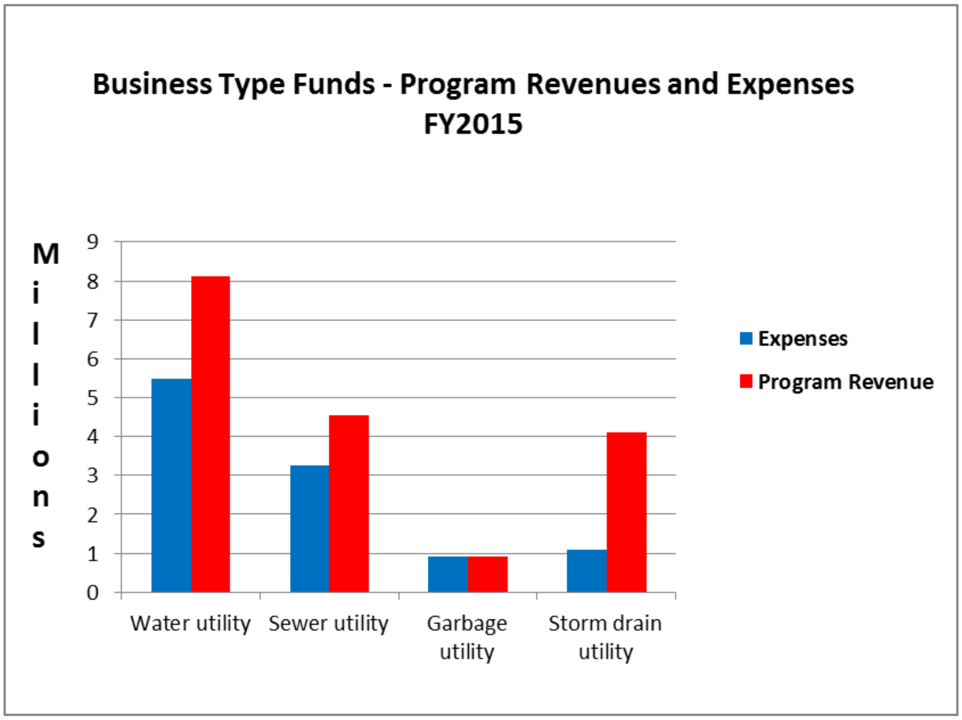
Business-type Activities:
The City's business-type activities increased net position by $6.9 million. Key elements of this increase were as follows:

Revenue Highlights:

- Charges for services for business-type activities increased by $0.9 million for fiscal year 2015. This is mainly due to an increase in utility service revenue in the business type-funds.
- Operating and capital grants and contributions increased about $3.5 million in fiscal year 2015. The $3.5 million increase is due to acquiring and drawing down on the 2014 Water Revenue Bonds.
- Investment earnings stayed approximately the same in fiscal year 2015.

Expense Highlights:

- Personnel expenses decreased minimally due to current positions staying constant in the utility funds.
- Supplies and maintenance expenses decreased by $0.5 million. The decrease is due to decreased water meter expenses coupled decreases in sewer, culinary and secondary capital projects.
- Professional services expenses increased by $0.2 million.
- Treatment and sanitation expenses increased approximately $0.3 million due to increase in treatment costs.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of resources available for appropriation. Such information is helpful in assessing the City's financial requirements.

As of June 30, 2015, the aggregate fund balance of the City's governmental funds was $16.8 million, an increase of less than $2.5 million in comparison with the fiscal year ended June 30, 2014. In fiscal year 2015, about $3.0 million or 17.9 percent of this amount is unassigned fund balance compared to about $2.1 million or 14.7 percent in fiscal year 2014. Unassigned fund balance categories are available for appropriation by the City Council at their discretion.

Restricted fund balance which have externally enforceable limitations on use are not available for new spending and are approximately $13.4 million in fiscal year 2015 and $11.9 million in fiscal year 2014.
The remainder of the fund balance of $0.3 million is assigned. Of the assigned fund balance, $.03 million is assigned to street lighting. In fiscal year 2014 the assigned fund balance was about $0.3 million with $0.3 million attributed to street lighting.

The General Fund is the principal operating fund of the City. Utah State code establishes a 5.0 percent minimum ($653,513) and a 25.0 percent maximum ($3,267,565) limit to the amount that may be accumulated as the fund balance in the General Fund. As of June 30, 2015 the unassigned fund balance of the General Fund was $2,989,076 and was $278,489 below the 25.0 percent limit. The unassigned fund balance increased by $920,651 in fiscal year 2015. The main reason for increased fund balance is less transfers to the capital projects fund to fund currently budgeted projects. The unassigned fund balance in fiscal year 2014 decreased by $439,922.

As of June 30, 2015, the restricted fund balance in the Capital Projects Fund was $13.4 million. In fiscal year 2014 the restricted fund balance was $11.9 million and the unreserved and assigned fund balances combined were $.3 million. The $1.5 million increase in restricted fund balance resulted from less capital outlay spending and increased revenues.

As of June 30, 2015, the assigned fund balance in Street Lighting was $0.3 million. In fiscal year 2014 the assigned fund balance was $0.3 million. The slight increase of fund balance resulted from increased revenue in fiscal year 2015 as compared to fiscal year 2014.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the City's enterprise funds totaled about $98.7 million at June 30, 2015, as compared to $91.8 million at the end of fiscal year 2014. Net position at the end of fiscal year 2015 and 2014 for each of these funds were:

City of Saratoga Springs
Proprietary Funds

Fund	Amount 2015	Amount 2014	Change
Water Utility	$ 60,856,061	$ 58,246,367	$ 2,609,694
Sewer Utility	19,753,420	18,464,677	1,288,743
Strom Drain Utility	17,866,905	14,859,872	3,007,033
Garbage Utility	217,036	210,298	6,738
Total	$ 98,693,422	$ 91,781,214	$ 6,912,208

The net increase in net position from the prior year was $6.9 million as compared to an increase of $3.4 million in fiscal year 2014. Operating revenues increased $2.3 million as compared to a $0.5 million increase change in fiscal year 2014.

The Water Utility operating revenues increased by $1.8 million due to increased service fees most likely due to more users than the prior fiscal year combined with an increase in rates. The Sewer Utility operating revenues increased by $0.5 million in comparison to the previous fiscal year due to an increase in rates in conjunction with more users. The Storm Drain Utility operating revenues increased minimally, which the small increase was a result of increased storm utility fees collected. The Garbage Utility operating revenues increased minimally.

Water Utility net position invested in capital assets net of related debt decreased by $1.2 million in fiscal year 2015 primarily due to increased accumulated depreciation, routine acquisition and disposition of capital assets, and depreciation expense. Unrestricted net position increased about $1.0 million.

Sewer utility net position invested in capital assets net of related debt increased by $0.8 million, unrestricted net position increased by $0.5 million. The increase in net position invested in capital assets net of related debt was due to the net acquisition of capital assets, and depreciation expense.

Storm Drain Utility net position invested in capital assets net of related debt increased $3.9 million, unrestricted net position decreased by $0.9 million resulting in a net increase of total net position of less than $3.0 million. The increase in net assets invested in capital assets net of related debt was due to the net acquisition of capital assets, and depreciation expense.

Garbage Utility unrestricted net position increased slightly. This is mostly due to the current garbage contract that provides free recycling to residents.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget for expenditures of less than $0.4 million (net increase) can be summarized as follows:

- Less than $0.4 million increase in general government resulting from increases in professional and contract services, general liability insurance, and Justice Court expenses.
- More than $0.1 million increase in public safety from Wildland expenses, contract services and fire equipment and supplies.
- Minimal increase in highways and streets.
- More than $0.1 million decrease in Parks and recreation for decreased professional and contract services.

Total actual expenditures came in $1.2 million below the final budget. All departments kept within their legal spending authority, except for the Parks and recreation department. The differences between actual and the final budget can be briefly summarized as follows:

- The final budget was $0.9 million more than the actual expenditures in general government. This difference was attributed to spending coming in under budget in salaries and wages, supplies, education and training, and contract services
- The final budget was $0.2 million more than the actual expenditures in public safety. This difference was attributed to coming in under budget in salaries and wages also professional contract services.
- The final budget was $1.3 million more than the actual expenditures in highways and public improvements. This difference was attributed to coming in under budget in salaries and wages, employee benefits, general road maintenance, snow removal and vehicle lease payments.
- The final budget was $1.2 million less than actual expenditures in parks and recreation. The difference was coming in over budget is a county donated park that was capitalized using estimated current value of the land.

Actual revenues of $13.2 million were above the final budgeted revenues of $12.4 million by $0.8 million. This is mainly due to increased taxes, licenses and permits, intergovernmental revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for is governmental and business-type activities totaled 188.6 million (net of $73.9 million accumulated depreciation) at June 30, 2015, as compared to $181.6 million (net of $65.2 million accumulated depreciation) at June 30, 2014. This investment in capital assets includes land, water rights, buildings, equipment, infrastructure, water capacities, culinary water system, secondary water irrigation system, sewer system, storm drain system, and construction in progress.
Major capital asset additions during the year ended June 30, 2015 include:

Governmental Activities:

- $1.4 million donated Inlet Park
- $0.9 million Pioneer Crossing Betterments
- $0.1 million Harvest Hills Regional Park

Business-type Activities:

- $3.5 million Secondary Water Meter Project
- $2.9 million Debris Basin
- $0.5 million Purchase of Water Rights

Additional information on the City's capital assets can be found in Note 4 – Capital Assets on page 46 of this report.

Long-Term Debt: Long-term debt for governmental activities decreased by under $0.2 million in comparison with fiscal year 2014. Business-type activities debt increased in fiscal year 2015 by $4.8 million when compared with fiscal year 2014. Please see note 13 for details concerning long-term debt on Page 57.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for Utah County was 3.4 percent compared with the State unemployment rate of 3.7 percent and a national rate of 5.1 percent.
- The fiscal year 2015 City budget does not include a property tax increase. The City Council adopted the certified tax rate for the General Fund. In accordance with Utah Statutes, the certified tax rate is intended to generate the same amount of property tax revenue as was received the prior year plus revenue for "new growth" occurring in the City. All other revenue sources have been estimated on a conservative basis using a multi-year trend analysis and assuming no significant changes in the local economy. The City's approach to budgeting includes preparation of a five-year capital plan. The long-term nature of the City's financial planning system allows decision makers to better understand the true effect of policy decisions. One of the most powerful aspects of the multi-year financial planning is its capability to recognize trends over time and begin at an early point to consider necessary steps to alter the long-term forecasted position of the City.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Saratoga Springs' finances to everyone with an interest. Questions concerning any of the information provided in this report requests for additional information should be addressed to:

City of Saratoga Springs
Attn: Finance Department
1307 N. Commerce Drive, Suite 200
Saratoga Springs, Utah 84045-5302

BASIC FINANCIAL STATEMENTS

CITY OF SARATOGA SPRINGS
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 18,939,430	$ 9,570,949	$ 28,510,379
Cash - restricted	-	2,814,571	2,814,571
Accounts receivable - net	2,122,278	744,861	2,867,139
Due from other funds	621,275	4,145,393	4,766,668
Due from other governmental units	2,187,081	-	2,187,081
Inventory	-	36,955	36,955
Net pension assets	42,805	254	43,059
Capital assets not being depreciated:			
Land	20,201,852	-	20,201,852
Water rights	-	15,699,164	15,699,164
Construction work in process	2,241,758	853,092	3,094,850
Capital assets net of accumulated depreciation:			
Buildings and improvements	6,059,984	-	6,059,984
Equipment	4,910,506	1,482,299	6,392,805
Infrastructure	84,694,949	126,478,479	211,173,428
Accumulated depreciation	(41,102,679)	(32,820,160)	(73,922,839)
Net capital assets	77,006,370	111,692,874	188,699,244
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	428,385	75,155	503,540
Total deferred outflows of resources	428,385	75,155	503,540
Total assets	$ 101,347,624	$ 129,081,012	$ 230,428,636
LIABILITIES			
Accounts payable	$ 1,460,845	$ 971,491	$ 2,432,336
Accrued liabilities	272,800	31,889	304,689
Due to other funds	265,152	4,501,516	4,766,668
Deposits payable	2,928,956	115,394	3,044,350
Net pension liability	1,587,542	131,766	1,719,308
Noncurrent liabilities due within one year	576,616	1,599,526	2,176,142
Noncurrent liabilities due in more than one year	3,706,007	22,990,974	26,696,981
Total liabilities	10,797,918	30,342,556	41,140,474
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	256,690	45,034	301,724
Total deferred inflows of resources	256,690	45,034	301,724
NET POSITION			
Net investment in capital assets	73,222,615	87,124,624	160,347,239
Restricted for bond proceeds		2,814,571	2,814,571
Unrestricted	17,070,401	8,754,227	25,824,628
Total net position	90,293,016	98,693,422	188,986,438
Total liabilities and net position	$ 101,347,624	$ 129,081,012	$ 230,428,636

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

CITY OF SARATOGA SPRINGS
Statement of Activities
For the Year Ended June 30, 2015

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets – Primary Government: Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 2,096,762	$ 3,379,235	$ -	$ -	$ 1,282,473	$ -	$ 1,282,473
Public safety	5,240,399	1,214,388	-	-	(4,026,011)	-	(4,026,011)
Highways and public works	5,384,522	1,541,709	170,927	1,545,870	(2,126,016)	-	(2,126,016)
Parks and recreation	2,701,630	2,519,097	593,356	-	410,823	-	410,823
Interest on long-term debt	137,882	-	-	-	(137,882)	-	(137,882)
Total governmental activities	15,561,195	8,654,429	764,283	1,545,870	(4,596,613)	-	(4,596,613)
Business-type activities:							
Water utility	5,477,856	6,512,923	-	1,611,082	-	2,646,149	2,646,149
Sewer utility	3,244,648	3,047,088	-	1,501,243	-	1,303,683	1,303,683
Storm drain utility	1,080,662	641,802	-	3,475,203	-	3,036,343	3,036,343
Garbage utility	908,198	913,322	-	-	-	5,124	5,124
Total business-type activities	10,711,364	11,115,135	-	6,587,528	-	6,991,299	6,991,299
Total primary government	$ 26,272,559	$ 19,769,564	$ 764,283	$ 8,133,398	$ (4,596,613)	$ 6,991,299	$ 2,394,686
General revenues:							
Property taxes					2,844,496	-	2,844,496
General sales and use tax					2,939,653	-	2,939,653
Franchise tax					207,142	-	207,142
Energy tax					877,695	-	877,695
Investment earnings					89,800	109,205	199,005
Gain (loss) on sale of assets					15,799	-	15,799
Total general revenues					6,974,585	109,205	7,083,790
Change in net position					2,377,972	7,100,504	9,478,476
Net position - beginning (restated)					87,915,044	91,592,918	179,507,962
Net position - ending					$ 90,293,016	$ 98,693,422	$ 188,986,438

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

CITY OF SARATOGA SPRINGS
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds			Total
	General Fund	Capital Projects	Special Revenue	Governmental Funds
ASSETS				
Cash and cash equivalents	$ 5,731,127	$ 12,894,280	$ 314,023	$ 18,939,430
Accounts receivable, net of allowance	813,167	1,287,402	21,709	2,122,278
Due from other funds	296,275	325,000	-	621,275
Due from other governmental units	2,187,081	-	-	2,187,081
Prepaids	-	-	-	-
Total assets	$ 9,027,650	$ 14,506,682	$ 335,732	$ 23,870,064
LIABILITIES				
Accounts payable	$ 384,585	$ 1,071,205	$ 5,055	$ 1,460,845
Due to other funds	265,152	-	-	265,152
Accrued liabilities	272,800	-	-	272,800
Deposits payable	2,928,956	-	-	2,928,956
Total liabilities	3,851,493	1,071,205	5,055	4,927,753
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	2,187,081	-	-	2,187,081
FUND BALANCES				
Committed for - capital projects	-	13,435,477	-	13,435,477
Assigned to - street lights	-	-	330,677	330,677
Unassigned fund balance	2,989,076	-	-	2,989,076
Total fund balances	2,989,076	13,435,477	330,677	16,755,230
Total liabilities, deferred inflows and fund balances	$ 9,027,650	$ 14,506,682	$ 335,732	$ 23,870,064

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

CITY OF SARATOGA SPRINGS
Balance Sheet Reconciliation to Statement of Net Position - Governmental Funds
June 30, 2015

Total fund balances - governmental funds:		$ 16,755,230
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		77,006,370
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		2,187,081
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	(3,410,000)	
Capital lease payable	(373,755)	
Unfunded pension liability	(1,373,042)	
Compensated absences payable	(498,868)	
		(5,655,665)
Net position of government activities		$ 90,293,016

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

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds			
	General Fund	Capital Projects	Special Revenue	Total Governmental Funds
Revenues:				
Taxes	$ 6,692,613	$ -	$ -	$ 6,692,613
Licenses and permits	749,910	-	-	749,910
Intergovernmental revenue	2,191,668	118,485	-	2,310,153
Charges for services	3,057,604	4,191,392	180,510	7,429,506
Fines and forfeitures	427,554	-	-	427,554
Investment earnings	31,472	57,040	1,288	89,800
Other	43,773	-	3,686	47,459
Total revenues	13,194,594	4,366,917	185,484	17,746,995
Expenditures:				
Current:				
General government	2,083,466	-	182,958	2,266,424
Public safety	5,724,366	-	-	5,724,366
Highways and public works	798,907	1,204,750	-	2,003,657
Parks and recreation	2,340,617	436,869	-	2,777,486
Capital expenditures	-	2,339,204	-	2,339,204
Debt service:				
Principal retirement	155,000	-	-	155,000
Interest and fiscal charges	137,882	-	-	137,882
Total expenditures	11,240,238	3,980,823	182,958	15,404,019
Excess revenues over (under) expenditures	1,954,356	386,094	2,526	2,342,976
Other financing sources (uses):				
Capital lease	120,119	-	-	120,119
Sale of capital asset	15,799	-	-	15,799
Transfers in	78,027	1,266,047	-	1,344,074
Transfers out	(1,344,074)	-	-	(1,344,074)
Total other financing sources and uses	(1,130,129)	1,266,047	-	135,918
Net change in fund balances	824,227	1,652,141	2,526	2,478,894
Fund balances - beginning of year	2,164,849	11,783,336	328,151	14,276,336
Fund balances - end of year	$ 2,989,076	$ 13,435,477	$ 330,677	$ 16,755,230

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

CITY OF SARATOGA SPRINGS
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, 2015

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 2,478,894
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 capitalized expenditures exceeded depreciation in the current period.		
Capitalized expenditures	3,886,665	
Depreciation expense	(5,043,741)	
		(1,157,076)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue - property taxes	176,373	
		176,373
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in unfunded pension liability	726,437	
Change in accrued compensated absences	(4,128)	
		722,309
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 on the statement of activities.		
Capital lease financing	(120,119)	
Principal repayments on bonds	155,000	
Payment on capital lease	122,591	
		157,472
Change in net position of governmental activities		$ 2,377,972

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

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes:				
Property	$ 2,570,350	$ 2,570,350	$ 2,668,123	$ 97,773
Sales	2,400,000	2,400,000	2,939,653	539,653
Franchise	239,800	239,800	207,142	(32,658)
Energy	750,000	750,000	877,695	127,695
Licenses and permits	582,100	582,100	749,910	167,810
Intergovernmental revenue	782,202	807,884	2,191,668	1,383,784
Charges for services	4,674,974	4,569,788	3,057,604	(1,512,184)
Fines and forfeitures	419,700	419,700	427,554	7,854
Investment earnings	20,800	20,800	31,472	10,672
Other	30,000	30,000	43,773	13,773
Total revenues	12,469,926	12,390,422	13,194,594	804,172
Expenditures:				
General government	2,569,426	2,940,524	2,083,466	(857,058)
Public safety	5,817,960	5,927,610	5,724,366	(203,244)
Highways and streets	2,046,475	2,055,775	798,907	(1,256,868)
Parks and recreation	1,312,039	1,183,035	2,340,617	1,157,582
Debt service:				
Principal retirement	150,000	150,000	155,000	-
Interest and fiscal charges	142,450	142,450	137,882	-
Total expenditures	12,038,350	12,399,394	11,240,238	(1,159,588)
Excess revenues over (under) expenditures	431,576	(8,972)	1,954,356	1,963,760
Other financing sources (uses):				
Capital leases	-	-	120,119	120,119
Sale of capital asset	-	-	15,799	15,799
Transfers in	-	78,027	78,027	-
Transfers out	(329,860)	(329,860)	(1,344,074)	(1,014,214)
Total other financing sources (uses)	(329,860)	(329,860)	(1,130,129)	(878,296)
Net change in fund balance	101,716	(338,832)	824,227	1,085,464
Fund balance - beginning of year			2,164,849	
Fund balance - end of year			$ 2,989,076	

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

CITY OF SARATOGA SPRINGS
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Fund - Budget and Actual
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-
Intergovernmental revenue	-	-	-	-
Charges for services	172,500	157,500	180,510	23,010
Fines and forfietures	-	-	-	-
Investment earnings	-	-	1,288	1,288
Other	-	-	3,686	3,686
Total	172,500	157,500	185,484	27,984
Expenditures:				
General government	228,111	195,573	182,958	(12,615)
Public safety	-	-	-	-
Highways and public works	-	-	-	-
Parks and recreation	-	-	-	-
Capital expenditures	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total	228,111	195,573	182,958	(12,615)
Excess of revenues over (under) expenditures	(55,611)	(38,073)	2,526	40,599
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Bond issuance cost	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(55,611)	(38,073)	2,526	40,599
Fund balance - beginning of year			328,151	
Fund balance - end of year			$ 330,677	

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

CITY OF SARATOGA SPRINGS
Statement of Net Position
Proprietary Funds
June 30, 2015

	Major Funds				
	Water Utility	**Sewer Utility**	**Storm Drain Utility**	**Garbage Utility**	**Total**
ASSETS					
Current assets:					
Cash and cash equivalents	$ 5,275,321	$ 3,053,495	$ 1,050,905	$ 191,228	$ 9,570,949
Cash - restricted	2,814,571	-	-	-	2,814,571
Restricted cash and investments:					
Accounts receivable - net	303,332	297,703	43,508	100,318	744,861
Due from other funds	4,145,393	-	-	-	4,145,393
Inventory	36,955	-	-	-	36,955
Total current assets	12,575,572	3,351,198	1,094,413	291,546	17,312,729
Noncurrent assets:					
Pension assets	210	44	-		254
Capital assets:					
Water rights	15,699,164	-	-	-	15,699,164
Construction work in process	784,606	-	68,486	-	853,092
Water capacities	56,783,823	-	-	-	56,783,823
Culinary water system	17,867,846	-	-	-	17,867,846
Secondary water system	8,117,962	-	-	-	8,117,962
Sewer system	-	22,940,186	-	-	22,940,186
Storm drain system	-	-	20,768,662	-	20,768,662
Equipment	527,448	811,738	143,113	-	1,482,299
Less: Accumulated depreciation	(21,839,243)	(7,144,094)	(3,836,823)	-	(32,820,160)
Total capital assets	77,941,606	16,607,830	17,143,438	-	111,692,874
DEFERRED OUTFLOWS OF RESOURCES					
Pension related deferred outflows	62,020	13,135			75,155
Total	$ 90,579,408	$ 19,972,207	$ 18,237,851	$ 291,546	$ 129,081,012
LIABILITIES					
Current liabilities:					
Accounts payable	$ 664,493	$ 186,542	$ 45,946	$ 74,510	$ 971,491
Due to other funds	4,176,516	-	325,000	-	4,501,516
Compensated absences	5,740	-	-	-	5,740
Customer deposits payable	116,530	(1,136)	-	-	115,394
Accrued interest payable	31,889	-	-	-	31,889
Bonds and contracts payable - current	1,592,000	-	-	-	1,592,000
Capital leases payable - current	1,786	-	-	-	1,786
Total current liabilities	6,588,954	185,406	370,946	74,510	7,219,816
Noncurrent liabilities:					
Compensated absences	14,030	2,480	-	-	16,510
Net pension liability	108,736	23,030	-	-	131,766
Bonds and contracts payable	22,971,639	-	-	-	22,971,639
Capital leases payable	2,825	-	-	-	2,825
Total noncurrent liabilities	23,097,230	25,510	-	-	23,122,740
Total liabilities	29,686,184	210,916	370,946	74,510	30,342,556
DEFERRED INFLOWS OF RESOURCES					
Pension deferred inflows	37,163	7,871			45,034
NET POSITION					
Net investment in capital assets	53,373,356	16,607,830	17,143,438	-	87,124,624
Restricted for bond proceeds	2,814,571	-	-		2,814,571
Unrestricted	4,668,134	3,145,590	723,467	217,036	8,754,227
Net position	60,856,061	19,753,420	17,866,905	217,036	98,693,422
Total	$ 90,579,408	$ 19,972,207	$ 18,237,851	$ 291,546	$ 129,081,012

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

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Major Funds				
	Water Utility	Sewer Utility	Storm Drain Utility	Garbage Utility	Total
Operating revenue:					
Charges for services	$ 4,772,755	$ 2,622,788	$ 407,434	$ 913,322	$ 8,716,299
Connection and other fees	1,674,878	123,142	-	-	1,798,020
Other	65,290	-	1,265	-	66,555
Total operating revenues	6,512,923	2,745,930	408,699	913,322	10,580,874
Operating expenses:					
Personnel services	459,737	81,487	50,197	-	591,421
Supplies and maintenance	243,693	522,451	163,442	14,940	944,526
Professional services	275,029	9,689	-	-	284,718
Administration	1,063,023	584,375	334,692	50,293	2,032,383
Power and pumping	469,717	64,113	-	-	533,830
Treatment and sanitation	408,170	1,204,912	-	842,965	2,456,047
Depreciation	2,362,626	771,082	532,331	-	3,666,039
Other	-	6,539	-	-	6,539
Total operating expenses	5,281,995	3,244,648	1,080,662	908,198	10,515,503
Operating income (loss)	1,230,928	(498,718)	(671,963)	5,124	65,371
Nonoperating revenue (expense):					
Investment earnings	92,607	12,394	2,590	1,614	109,205
Intergovernmental income	-	-	-	-	-
Interest expense	(195,861)	-	-	-	(195,861)
Total nonoperating revenues (expenses)	(103,254)	12,394	2,590	1,614	(86,656)
Income (loss) before contributions and transfers	1,127,674	(486,324)	(669,373)	6,738	(21,285)
Capital contributions	1,611,082	1,501,243	3,475,203	-	6,587,528
Impact fees	-	301,158	233,103	-	534,261
Change in net position	2,738,756	1,316,077	3,038,933	6,738	7,100,504
Net position - beginning (restated)	58,117,305	18,437,343	14,827,972	210,298	91,592,918
Net position - ending	$60,856,061	$ 19,753,420	$17,866,905	$ 217,036	$ 98,693,422

CITY OF SARATOGA SPRINGS
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Major Funds				
	Water Utility	**Sewer Utility**	**Storm Drain Utility**	**Garbage Utility**	**Total**
Cash flows from operating activities					
Receipts from customers	$ 6,442,291	$ 2,676,409	$ 413,122	$ 911,061	$ 10,442,883
Payments to suppliers	(1,005,092)	(1,884,859)	(140,169)	(852,829)	(3,882,949)
Payment to employees	(470,479)	(79,964)	(50,197)	-	(600,640)
Payments for interfund services used	(1,063,023)	(584,375)	(334,692)	(50,293)	(2,032,383)
Net cash provided (used) by operating activities	3,903,697	127,211	(111,936)	7,939	3,926,911
Cash flows from noncapital financing activities					
Advances to other funds	(3,880,242)	-	-	-	(3,880,242)
Advance from other funds	2,780,241	-	325,000	-	3,105,241
Net cash provided (used) by noncapital financing activities	(1,100,001)	-	325,000	-	(775,001)
Cash flows from capital and related financing activities					
Purchases of capital assets	(4,351,065)	(105,373)	(952,350)	-	(5,408,788)
Proceeds of capital-type special assessments	-	301,158	233,103	-	534,261
Principal paid on capital lease and debt	4,776,968	-	-	-	4,776,968
Interest paid on capital lease and debt	(261,341)	-	-	-	(261,341)
Net cash provided (used) by capital and related financing activities	164,562	195,785	(719,247)	-	(358,900)
Cash flows from investing activities					
Interest and dividends received	92,607	12,394	2,590	1,614	109,205
Net cash provided (used) by investing activities	92,607	12,394	2,590	1,614	109,205
Net increase (decrease) in cash and cash equivalents	3,060,865	335,390	(503,593)	9,553	2,902,215
Cash and cash equivalents - beginning	5,029,027	2,718,105	1,554,498	181,675	9,483,305
Cash and cash equivalents (deficit) - ending	$ 8,089,892	$ 3,053,495	$ 1,050,905	$ 191,228	$ 12,385,520
Cash and cash equivalents make up					
Cash and cash equivalents	5,275,321	3,053,495	1,050,905	191,228	9,570,949
Cash restricted	2,814,571	-	-	-	2,814,571
Total cash and cash equivalents - ending	8,089,892	3,053,495	1,050,905	191,228	12,385,520
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income	$ 1,230,928	$ (498,718)	$ (671,963)	$ 5,124	$ 65,371
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization expense	2,362,626	771,082	532,331	-	3,666,039
(Increase)/decrease in accounts receivable	(60,402)	(65,645)	4,423	(2,261)	(123,885)
(Increase)/decrease in inventory	18,474	-	-	-	18,474
(Decrease)/increase in accounts payable	373,043	(77,155)	23,273	5,076	324,237
(Decrease)/increase in compensated absences	(10,742)	1,523	-	-	(9,219)
(Decrease)/increase in deposits payable	(10,230)	(3,876)	-	-	(14,106)
Total adjustments	2,672,769	625,929	560,027	2,815	3,861,540
Net cash provided (used) by operating activities	$ 3,903,697	$ 127,211	$ (111,936)	$ 7,939	$ 3,926,911

Schedule of non-cash capital and related financing activities:					
Contribution of capital assets	$ 1,611,082	$ 1,501,243	$ 3,475,203	$ -	$ 6,587,528

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

Note 1 - Summary of Significant Accounting Policies

The City of Saratoga Springs (City) was incorporated in December 1997. The City operates under a council manager form of government and provides the following services as authorized by its charter: public safety (police, fire, inspection and animal control), streets and highways, public utilities (refuse collection, water sewer, and storm drain), parks and recreation and general administrative services. The financial statements of the City of Saratoga Springs have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

The City of Saratoga Springs is a municipal corporation governed by an elected mayor and six council members. The accompanying financial statements present the financial affairs of the government and its operations.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related Governmental Accounting Standards. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent on the City.

The City has no component units.

B. Government-wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements (the statement of net position and the statement of activities) and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds. Primary government activities are distinguished 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 effects of inter-fund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities and inter-fund services provided.

The Statement of Net Position presents the City's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Net position is restricted when constraints placed upon it is either externally imposed or is imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Note 1 - Summary of Significant Accounting Policies -Continued

B. Government-wide and Fund Financial Statements - Continued

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are shown as assets in the government-wide financial statements, rather than reported as expenditures in the governmental fund financial statements. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source in the governmental fund financial statements. Amounts paid to reduce long-term debt in the government-wide financial statements are reported as a reduction of the related liability, rather than expenditures in the governmental fund statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (generally within sixty days) to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under the accrual method of accounting. However, debt service expenditures, as well as expenditure related to compensated absences and claims and judgments are recorded when payment is due.

Sales and use taxes, franchise taxes and earned but un-reimbursed state and federal grants associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Property taxes are measurable as of the date levied and available only when cash is received by the county treasurer prior to the City's fiscal year end and remitted to the City within sixty days of its fiscal year end.

The City reports the following governmental funds:

General Fund - The General Fund is the primary operating fund. It is used to account for all financial resources of the City not accounted for by a separate, specialized fund.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted or committed for specified purposes. The City has one special revenue fund that operates the street light program funded by property owner assessments.

Capital Projects Fund- The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital improvements (other than those financed by proprietary funds.)

Note 1 - Summary of Significant Accounting Policies -Continued

The City reports the following proprietary fund types as enterprise funds:

Water Utility Fund – The Water Utility Fund accounts for the water distribution system of the City for its residents.

C. Measurement Focus and Basis of Accounting - Continued

Sewer Utility Fund – The Sewer Utility Fund accounts for the sewage collection systems of the City for its residents

Storm Drain Utility Fund – The Storm Drain Utility Fund accounts for the various storm drain collection and retention systems in the City for its residents.

Garbage Collection Utility Fund – The Garbage Collection Utility Fund accounts for the collection and disposal of garbage for City residents.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by the Enterprise Funds for providing administrative, billing, and facility costs for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Enterprise 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 an enterprise fund’s principal ongoing operation. The principal operating revenues of the enterprise funds are charges to customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgets

Annual budgets are prepared and adopted before June 22 for the fiscal year commencing the following July 1, in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level, administration, public safety, public works, etc. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund, special revenue, and capital projects funds are legally required and prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

Note 1 - Summary of Significant Accounting Policies -Continued

The Budgetary Comparison schedules presented in this section of the report are for the City's general fund and special revenue funds. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unassigned fund balance at the end of each year.

Utah State allows for any unassigned fund balances in excess of 5% of total revenue of the general fund to be utilized for budget purposes. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 25% of the total estimated revenue of the general fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the City has one year to determine an appropriate use and then the excess must be included as an available resource in the general fund budget.

E. Taxes

In connection with budget adoption an annual tax ordinance establishing the tax rate is adopted before June 22 and the City Recorder is to certify the tax rate to the County Auditor before June 22. Budgets for the general, special revenue, and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The above procedures are authorized by the Utah Code Sections 10-6-109 through 10-6-135.

All property taxes levied by the City are assessed and collected by Utah County. Taxes are attached as an enforceable lien as of January 1, are levied as of October 1, and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County monthly.

F. Capital Assets

Capital assets, which include land, buildings, property, plant, equipment, water rights, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

F. Capital Assets - Continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are carried at cost or estimated historical cost. Depreciation of these assets is computed by use of the straight-line method over their estimated useful lives as follows:

Buildings and improvements	40 Years
Sewer collection system	30 Years
Water distribution systems	40 Years
Infrastructure and improvements	10-25 Years
Machinery and equipment	5-20 Years
Other improvements	10-40 Years

Note 1 - Summary of Significant Accounting Policies -Continued

G. Long-Term Obligation

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

H. Equity Classifications

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

a. Invested in capital assets, net of related debt – 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.

b. Restricted net assets – 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.

c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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.

Nonspendable fund balance classification includes 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 classifications are restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance classification include those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the governments highest level of decision making authority, the City Council. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the City Council.

Assigned fund balance classification includes 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 non-spendable, restricted nor committed in the General Fund, that are intended to be used for specific purposes. It is the City's policy to require City Council action for the assignment of funds.

Unassigned fund balance classification is the residual classification for 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.

Note 1 - Summary of Significant Accounting Policies -Continued

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted. It is the City's policy to use committed funds first then assigned funds and lastly use unassigned funds when all are available for use in satisfying the expenditure.

Proprietary Fund equity is classified the same as in the government-wide statements.

I. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date of three months or less when acquired by the City.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City also records deferred outflows for changes to the net pension liability as provided by the cost sharing defined benefit pension systems administered by Utah State Retirement System (URS).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental has two items which qualifies for reporting in this category. First, unavailable revenues, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Second, the city recognizes deferred inflows for changes to the net pension liability as provided by the URS.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) an 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.

Note 2 - Deposits and Investments

As of June 30, 2015, the City had the following investments:

Investment Type	Fair Value	Maturity	Quality Ratings
PTIF Investments	$ 27,649,361	85 days *	not rated
Total	$ 27,649,361		

* Weighted-average maturity

Note 2 - Deposits and Investments - Continued

A. Custodial Credit Risk

Deposits and investments for the City are governed by the Utah Money Management Act *(Utah Code Annotate*d, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depositor*y, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's bank balances at June 30, 2015 were $3,075,689 of which $2,825,689 were uninsured and uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City policy to minimize custodial credit risk is to follow the Utah Money Management Act and the City's approved investment policy. The City currently invests only in the State of Utah PTIF as discussed below.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; 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 & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act. The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool exceeded its amortized cost basis by $304,592 at June 30, 2015.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by following its investment policy by investing mainly in the PTIF and by adhering to the Money Management Act. The 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 limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted in the table at the beginning of Note 2.

Note 2 - Deposits and Investments - Continued

D. Restricted Cash

The City maintains cash in accounts held by third party custodians that are restricted for the use of bond payments. The amount of restricted cash at June 30, 2015 was $2,814,571.

Note 3 - Accounts Receivable – Unearned Revenue

Accounts receivable are recorded net of the allowance for doubtful accounts of $55,000 in the enterprise funds. Unearned revenue in the governmental funds consist of property taxes receivable that will not be collected in sufficient time to be classified as revenue in the current fiscal year.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 18,720,913	$ 1,480,939	$ -	$ 20,201,852
Construction in process	3,316,245	1,897,436	(2,971,923)	2,241,758
Total	22,037,158	3,378,375	(2,971,923)	22,443,610
Capital assets, being depreciated:				
Buildings	6,059,984		-	6,059,984
Machinery and equipment	4,572,492	363,262	(25,248)	4,910,506
Improvements	-	-	-	-
Infrastructure	81,579,924	3,129,143	(14,118)	84,694,949
Total	92,212,400	3,492,405	(39,366)	95,665,439
Less accumulated depreciation for:				
Buildings	(1,187,452)	(286,482)	-	(1,473,934)
Machinery and equipment	(2,602,358)	(305,778)	25,248	(2,882,888)
Improvements	-	-	-	-
Infrastructure	(32,296,302)	(4,451,477)	1,922	(36,745,857)
Total	(36,086,112)	(5,043,737)	27,170	(41,102,679)
Capital assets, being depreciated, net	56,126,288	(1,551,332)	(12,196)	54,562,760
	$ 78,163,446	$ 1,827,043	$ (2,984,119)	$ 77,006,370
Business-type activities:				
Capital assets, not being depreciated:				
Water rights	$ 15,231,188	$ 467,928	$ -	$ 15,699,176
Construction in progress	1,622,786	801,004	(1,570,695)	853,095
Total	16,853,974	1,268,932	(1,570,695)	16,552,271
Capital assets, being depreciated:				
Water capacity	10,950,988	-	-	10,950,988
Culinary water system	58,060,776	5,586,352	-	63,647,128
Secondary water irrigation system	8,117,962	-	-	8,117,962
Sewer system	20,852,408	2,087,779	-	22,940,187
Storm drain system	16,441,494	4,327,168	-	20,768,662
Equipment	1,351,268	131,031	-	1,482,299
Total	115,774,896	12,132,330	-	127,907,226
Less accumulated depreciation for:				
Water capacity	(5,091,344)	(547,549)	-	(5,638,893)
Culinary water system	(12,635,013)	(1,402,154)	-	(14,037,167)
Secondary water irrigation system	(1,409,159)	(392,646)	-	(1,801,805)
Sewer system	(6,126,861)	(720,368)	-	(6,847,229)
Storm drain system	(3,173,908)	(526,398)	(1,922)	(3,702,228)
Equipment	(743,083)	(75,002)	25,230	(792,855)
Total accumulated depreciation	(29,179,368)	(3,664,117)	23,308	(32,820,177)
Capital assets, being depreciated, net	86,595,528	8,468,213	23,308	95,087,049
Business-type activities capital assets, net	$ 103,449,502	$ 9,737,145	$ (1,547,387)	$ 111,639,320

Note 4 - Capital Assets – Continued

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:		
General government	$	237,189
Public safety		236,949
Highways and public works		3,072,515
Parks and recreation		1,497,088
Total depreciation expense - governmental activities	$	5,043,741
Business-type activities:		
Water utility	$	2,362,628
Sewer utility		771,082
Storm drain utility		530,406
Total depreciation expense - business-type activities	$	3,664,117
Combined depreciation expense	$	8,707,858

Note 5-Compensated Absences

Accumulated unpaid vacation, compensatory leave pay and other employee benefit amounts are accrued when incurred in proprietary funds (using the accrual basis of accounting). In the governmental funds (using the modified accrual basis of accounting) only the unpaid amounts due to retired or terminated employees are recorded as liabilities. All City employees are paid from the general fund. The total compensated absences liability is reported in the government wide financial statements as long-term debt in accordance with the Governmental Accounting Standards. Based on historical estimates, the City estimates that $212,826 of the compensated absences balance will be due in the next year.

Note 6 - Retirement Plans

General information about the Pension Plans
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); Firefighters Retirement System (Firefighters System); are multiple employer, cost sharing, public employees, retirement systems.

- The Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing, multiple-employer retirement system;

- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) are multiple employer, cost sharing, public employees, retirement systems.

Note 6 - Retirement Plans - Continued

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the 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 financial 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.org.

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

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for	Benefit 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% to 4% depending on the employer
Firefighters 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 4%
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	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%

*with actuarial reductions

**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.

Note 6 - Retirement Plans - Continued

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 employees 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
Contributory System			
111 - Local Governmental Division Tier 2	N/A	N/A	14.830 %
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470 %
Public Safety Retirement System			
49 - Other Division B Noncontributory Tier 1	N/A	N/A	32.200 %
122 - Other Division A Contributory Tier 2	N/A	N/A	20.440 %
Firefighters System			
32 - Division B Tier 1	N/A	16.710 %	6.590 %
132 - Division B Tier 2	N/A	N/A	10.800 %

Pension Assets, Liabilities, Expenses, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

At December 31, 2014, we reported a net pension asset of $43,059 and a net pension liability of $1,719,308.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.2635465 %	$0	$1,144,381
Public Safety System	1.4539185 %	$0	$574,927
Firefighters System	0.3034621 %	$33,395	$0
Tier 2 Public Employees System	0.0561807 %	$1,703	$0
Tier 2 Public Safety and Firefighter System	0.5381763 %	$7,961	$0
Total Net Pension Asset/Liability		$43,059	$1,719,308

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending 2014.

Note 6 - Retirement Plans - Continued

For the year ended December 31, 2014, we recognized pension expense of $431,260. At December 31, 2014, we reported deferred outflows if resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$48,614	$72,113
Changes in assumptions	$0	$229,611
Net difference between projected and actual earnngs on pension plan investments	$43,939	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$0	$0
Contributions subsequent to the measurement date	$410,987	$0
Total	$503,540	$301,724

$410,987 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. 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:

Year Ended December 31,	Deferred Outflows (inflows) of Resources
2015	($44,602)
2016	($44,602)
2017	($44,602)
2018	($43,135)
2019	($18,925)
Thereafter	($13,306)

Actual assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50 – 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Note 6 - Retirement Plans - Continued

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

Retired Member Mortality Class of Member
Educators Men EDUM (90%) Women EDUF (100%)
Public Safety and Firefighters Men RP 2000mWC (100%) Women EDUF (120%)
Local Government, Public Employees Men RP 2000mWC (100%) Women EDUF (120%)
EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 – December 31, 2013.

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 following table:

	Expected Return Arithmetic Basis		
Asset class	**Target Asset Allocation**	**Real Return Arithmetic Basis**	**Long-Term expected portfolio real rate of return**
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
Inflation			2.75%
Expected arithmetic nominal return			7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Note 6 - Retirement Plans - Continued

Discount rate: The discount rate is used to measure the total pension liability was 7.50 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.

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 at 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of			
Net pension (asset) /liabity	$4,422,448	$1,676,249	($596,436)

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

Payables to the pension plan

(If reported payables to the defined benefit pension plan, it should disclose information required by paragraph 122 of GASB 68.)

Note 7 - Interfund Transfers

Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2015 were as follows:

Fund	Transfers In	Transfers Out
Governmental Activities		
General	$ 78,027	$ 1,344,074
Capital Projects	1,266,047	-
	$ 1,344,074	$ 1,344,074

Note 7 - Interfund Transfers - Continued

The purpose of the inter-fund transfers is to meet the City's ongoing cash needs for capital projects. In addition to the transfers, the General Fund charged $1,937,015 to the enterprise funds for personnel and administrative services and facility costs during the year.

Note 8 - Contingent Liabilities

Amounts received or receivables from grantor agencies are subject to audit and adjustment by those grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial. The City is also involved in various claims and litigation that should be covered by insurance.

On November 25, 2009 the City entered into an agreement with the Central Utah Water Conservancy District (District) to obtain delivery of water through District facilities equal to 10,000 acre feet. The City is obligated to pay a one-time development charge of $6,200 per acre foot ($62,000,000 for 10,000 acre feet of water) to the district which is due when the City takes delivery but no later than June 30, 2020. The City's obligation is backed by a contract with a landowner of property that is located within the City. The contract with the landowner requires collateral in the amount of the obligation and the funding of an account twelve months prior to the payment due dated. The purpose of the water rights is to provide water resources for land development in the future as those parcels are developed.

On March 30, 2010 the City entered into an agreement with a neighboring municipality to provide police services. For the year ended June 30, 2015 the City received $884,535 for the service.

The City has entered into an agreement with a developer to reimburse the developer for installing added improvements to the sewer system. The City will pay the developer $700 for each connection to the north sewer system service area until the year 2020 up to a maximum of $2,200,396. The City makes payments to the developer as fees are collected. The total amount paid to the developer for the year ended June 30, 2015 was $676,000.

Note 9 – Construction Commitments

The City has active construction projects as of June 30, 2015. The projects include construction of roads and utility system upgrades.

Project	Spent-to-Date	Remaining Commitment	Estimated Completion
All projects	$2,405,219	$9,444,364	May 2016

Note 10 - 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. These risks are covered by commercial insurance purchased from independent third parties and participation in the Local Governments Trust, a public entity risk pool. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. The City carries $2,000,000 of liability coverage and $1,000,000 of fidelity bond coverage for the treasurer.

Note 10 - Risk Management - Continued

The City participates in the public entity risk pool's general liability insurance program. This program requires annual premiums based on the City's level of insurance and previous claims experience. The payment of the premium indemnifies the City for claims that exceed its deductible amount. The risk pool is governed by the inter-local risk pool agreement

Note 11 – Leases

Capital Leases

The government has entered into lease agreements as lessee for financing the acquisition of several vehicles for the various City departments. The lease agreements qualify as capital lease obligations for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business Type Activities: Water Utility	Business Type Activities: Sewer Utility	Business Type Activities: Storm Drain Utility
Equipment	$ 869,208	$ 19,701	$ -	$ -
Accumulated depreciation	(486,251)	(19,701)	-	-
Total	$ 382,957	$ -	$ -	$ -

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

Year Ending June 30	Governmental Activities	Business Type Activities: Water Utility	Business Type Activities: Sewer Utility	Business Type Activities: Storm Drain Utility
2016	$ 133,932	$ 1,986	$ -	$ -
2017	121,154	3,976	-	-
2018	96,004	-	-	-
2019	26,670	-	-	-
2020	26,669	-	-	-
	$ -	-	-	-
Total minimum lease payments	404,428	5,962	-	-
Less: amount representing interest	(30,674)	(696)	-	-
Present value of minimum lease payments	$ 373,754	$ 5,266	$ -	$ -

Note 12 – Long-term Debt

A. Special Assessment Bonds

The 2012 series bonds will be repaid from assessments levied against the property owners benefited by the improvements made by the City in the special improvement district area. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government may draw from the established reserve fund to cover the deficiency. The bonds have a stated rate of interest of 0.75% -4.45% with a maturity date of April 1, 2029.

Note 12 – Long-term Debt - Continued

The special assessment bonds are recorded in the enterprise fund with annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending June 30	Principal	Interest	Total Debt Service
2015	121,000	62,008	183,008
2016	122,000	60,761	182,761
2017	124,000	59,114	183,114
2018	126,000	57,242	183,242
2019	127,000	55,037	357,321
2020-2024	683,000	230,321	789,882
2025-2029	807,000	106,882	1,438,365
	$2,110,000	$ 631,365	$3,317,693

B. Revenue Bonds

The government has issued bonds where the government pledged revenues derived from the operation of the utility system to pay the outstanding debt service. Revenue bonds are the obligations of the enterprise funds and the amounts outstanding at year end are as follows:

2014 Water Revenue Bonds

On October 22, 2014 the City issued $9,995,000 in Series 2014 Water Revenue Bonds with a maturity date of December 1, 2033 with an average coupon rate of 3.051%. The bonds were issued to (1) finance the costs associated with acquiring, constructing, and equipping portions of the City's culinary water system, (2) refund the Series 2005, 2006, and 2009 Water Revenue Bonds, and (3) finance the cost of issuance of the Series 2014 Bonds. Each principal payment is subject to prepayment and redemption at any time, in whole or in part, in inverse order, at the election of the City. The redemption price is equal to 100% of the principal amount to be prepaid or redeemed, plus accrued interest, if any, to the date of redemption. The City has pledged all water utility net revenues to pay the debt service costs through maturity in 2034. During the year the net revenue before depreciation was $3,490,300 and the debt service requirement was $158,290.

Year Ending June 30	Principal	Interest	Total Debt Service
2016	420,000	272,425	692,425
2017	430,000	263,925	693,925
2018	435,000	255,275	690,275
2019	445,000	246,475	691,475
2020	455,000	237,475	692,475
2021-2025	2,430,000	1,033,001	3,463,001
2026-2030	2,795,000	667,250	3,462,250
2031-2034	2,585,000	184,714	2,769,714
	$ 9,995,000	$ 3,160,540	$ 13,155,540

Note 12 – Long-term Debt - Continued

2011 Sales Tax Revenue Bonds

Sales tax revenue bonds are special limited obligations of the City backed by the portion of sales and use taxes levied by the City under the Local Sales and Use Tax Act. The bonds are obligations of the governmental funds.

On June 1, 2011 the city issued $4,000,000 in Series 2011 Sales Taxes Revenue Bonds at interest rates ranging from 3.0% to 4.125% with a maturity date of June 1, 2031. The bonds were issued to finance the costs associated with acquiring, constructing, renovating, equipping, and furnishing the City's facilities (including a public works facility, fire station, and city well improvements) and to exercise a purchase option under an outstanding financing lease for the City Hall building. Bond proceeds were also used to pay the cost of issuance of the Bonds. The Bonds maturing on or after June 1, 2021 are subject to redemption prior to maturity, in whole or in part, at the option of the City on December 31, 2020 or on any date thereafter, from such maturities or parts thereof as selected by the City. The redemption price will equal 100% of the principal amount to be repaid or redeemed, plus accrued interest, if any, to the date of redemption. The City has pledged all sales tax revenues to pay the debt service costs through maturity in 2031. During the year the sales tax revenue was $2,939,653 and the debt service requirement was $290,450 or 10% of the sales tax revenue. The City has pledges all of its sales tax revenues

B. Revenue Bonds – Continued

2011 Sales Tax Revenue Bonds – Continued

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total Debt Service
2016	160,000	135,450	295,450
2017	165,000	130,800	295,800
2018	170,000	126,000	296,000
2019	175,000	121,050	296,050
2020	185,000	114,250	299,250
2021-2025	1,025,000	464,187	1,489,187
2026-2030	1,250,000	261,435	1,511,435
2031	280,000	34,240	314,240
Total	$ 3,410,000	$ 1,387,412	$ 4,797,412

Note 12 – Long-term Debt - Continued

C. Note Payable

Culinary Water System

Prior to the City being established in December 1997, a water company had built a water system in the area covered by the City. On February 2, 2005, the city entered into a settlement agreement to purchase the water system and the rights to the unused water capacity. The City's obligation of $21,000,000 is to be serviced by paying two-thirds, presently $2000, of each connection or impact fee collected. By agreement, the obligation bears no interest. If the City has not paid the full obligation by February 2, 2025, then the remaining, unpaid balance becomes due at that date. The note is an obligation of the water enterprise fund. Based on the projection of 525 connections annually, the remaining obligation is expected to be retired as follows:

Year Ending June 30	Principal	Interest	Total Debt Service
2016	1,050,000	-	1,050,000
2017	1,050,000	-	1,050,000
2018	1,050,000	-	1,050,000
2019	1,050,000	-	1,050,000
2020	1,050,000	-	1,050,000
2021-2025	5,250,000	-	5,250,000
2026-2027	2,158,960	-	2,158,960
	$ 12,658,960	$ -	$ 12,658,960

Note 12 – Long-term Debt - Continued

D. Changes in Long-term Debt

During the year ended June 30, 2015, the following activity occurred in liabilities reported as long-term:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Governmental Activities:					
2011 Sales Tax Revenue Bonds	$ 3,565,000		$ (155,000)	$ 3,410,000	$ 160,000
Obligations Under Capital Lease	376,227	120,119	(122,591)	373,755	130,574
Compensated Absences	494,740	239,345	(235,217)	498,868	286,042
Total	$ 4,435,967	$ 359,464	$ (512,808)	$ 4,282,623	$ 576,616
Business Type Activities:					
2005 Water Revenue Refunding Bonds	$ 1,395,000		$ (1,395,000)	$ -	
2006 Water Revenue Bonds	2,314,000		(2,314,000)	-	
2009 Water Revenue Bonds	631,000		(631,000)	-	
2012 Special Assessment Bonds	2,110,000		(153,000)	1,957,000	122,000
2014 Water Revenue Bonds	-	9,995,000		9,995,000	420,000
Contract payable	13,334,960		(676,000)	12,658,960	1,050,000
Obligations Under Capital Lease	6,325	-	(1,713)	4,612	1,786
Compensated Absences	31,466	17,124	(40,369)	8,221	5,739
Total	$ 19,822,751	$ 10,012,124	$ (5,211,082)	$ 24,623,793	$ 1,599,525

Note 13 – Prior Period Adjustments

During the year, the accounting standards for pensions changed. The change required the recording of the City's proportionate share of the net pension assets and liabilities on its books. As a result of the change in accounting standards, the beginning net position was changed as follows.

	Funds		
	Governmental	Water	Sewer
Net position as previously stated	90,014,523	58,246,363	18,464,677
To record the effects of GASB 68			
pension liabillity	(2,102,657)	(129,058)	(27,334)
pension asset	3,178		
Net position as previously stated	87,915,044	58,117,305	18,437,343

APPENDIX B

EXTRACTS FROM THE GENERAL INDENTURE OF TRUST

The following excerpts briefly outline certain provisions contained in the General Indenture and are not to be considered as a full statement thereof. Reference is made to the General Indenture and the Second Supplemental Indenture, for full details of all of the terms of the Series 2016 Bonds, the security provisions appertaining thereof, and the application of the Revenues derived from the System, and the definition of any terms used but not defined in this OFFICIAL STATEMENT.

Definitions

As used in the 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 City of Saratoga Springs, Utah, Water Revenue Acquisition/Construction Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

"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 the Indenture other than the Initial Bonds.

"Administrative Costs" means all Security Instrument Costs, Reserve Instrument Costs and Rebatable Arbitrage.

"Aggregate Annual Debt Service Requirement" means the total Debt Service (including any Repayment Obligations) less any Escrowed Operation and Maintenance Expenses, 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 or any other officer of the Issuer so designated in writing by 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 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.

"Bond Fund" means the City of Saratoga Springs, Utah Water Revenue Bond Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

"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 authorized in the Indenture 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 the Indenture, including the Initial Bonds and any Additional Bonds.

"Build America Bonds" means the interest subsidy bonds issuable by the Issuer under Sections 54AA and 6431 of the Code and a "qualified bond" under Section 54AA(g)(2) of the Code or such other tax credit bonds of substantially similar nature which may be hereafter authorized.

"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 Principal 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 the Indenture and are outstanding up to an Authorized Amount.

"Construction Fund" means the City of Saratoga Springs, Utah Revenue Construction Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

"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;

(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 the Indenture;

(l) costs of the capitalization with proceeds of a Series of Bonds issued under the Indenture 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 provided in the Indenture, 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 the issuance of Additional Bonds under the Indenture,

(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 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); and

(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 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, (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 City of Saratoga Springs, Utah Revenue Debt Service Reserve Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

"Debt Service Reserve Requirement" means with respect to each Series of Bonds issued pursuant to the 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 its 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 (the "Prior Bonds"), then the portion of such Series of Prior 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 Prior 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 provided in the Indenture, or if 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 Payments" means the interest subsidy payments received by the Issuer from the Internal Revenue Service pursuant to Section 6431 of the Code or other similar programs with respect to Bonds issued under the Indenture.

"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.

"Escrowed Operation and Maintenance Expenses" means those certain Operation and Maintenance Expenses where the Issuer has set aside an escrowed amount of funds to the payment of certain Operation and Maintenance Expenses and said escrow arrangement is irrevocably held at the option of the Issuer and continually invested in Qualified Investments.

"Event of Default" means with respect to any default or event of default under the Indenture any occurrence or event specified in and defined by the Indenture.

"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 the General Indenture of Trust as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms of the Indenture.

"Initial Bonds" means the first Series of Bonds issued under the 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 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. 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 the City of Saratoga Springs, 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, necessary to keep the System in efficient operating condition, including cost of audits required by the Indenture, payment of promotional and marketing expenses and real estate brokerage fees, payment of premiums for the insurance required the Indenture, 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 and interest expense for interfund loans from Issuer funds, 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 the Indenture; and

(b) Any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered under the Indenture, unless proof satisfactory to the Trustee is presented that such Bond is held by a bona fide holder in due course.

"Paired Obligations" means any Series (or portion thereof) of Bonds designated as Paired Obligations in the Supplemental Indenture authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred (i) the Principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates of which, when taken together, result in an irrevocably fixed interest rate obligation of the Issuer for the terms of such Bonds.

"Paying Agent" means the Trustee, appointed as the initial paying agent for the Bonds pursuant to the Indenture, and any additional or successor paying agent appointed pursuant to the Indenture.

"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 Corporate Trust Office" means, with respect to the Trustee, the office of the Trustee at 170 South Main Street, Suite 200, Salt Lake City, Utah, 84101 Attention: Corporate Trust Department, or such other or additional offices as may be specified by the Trustee.

"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 water systems, appointed and paid by the Issuer, who shall not have any substantial interest, direct or indirect (other than employment), with the Issuer, but who may be regularly retained to make annual or other periodic reports of the Issuer. "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 Financing Bank; the Farmer's Home Administration; 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 or 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 51-7-17(2)(d) thereof.

"Rate Stabilization Fund" means the Rate Stabilization Fund of the Issuer to be held by the Issuer and administered pursuant to the Indenture.

"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 under the Indenture at the request of the Issuer. If either 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 amount (determinable as of each Rebate Calculation Date) of rebatable arbitrage payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Regulations.

"Rebate Calculation Date" means, with respect to any Series of Bonds where the interest thereon is intended to be excludable from gross income for federal income tax purposes, 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 City of Saratoga Springs, Utah Water Revenue Rebate Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

"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 the Indenture, and any additional or successor registrar appointed pursuant to the Indenture.

"Regular Record Date" means unless otherwise provided by Supplemental Indenture for a Series of Bonds, the fifteenth day 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 City of Saratoga Springs, Utah Water Revenue Repair and Replacement Fund created in the Indenture to be held by the Issuer and administered pursuant to the Indenture.

"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 to the Indenture under all Reserve Instruments.

"Reserve Instrument Fund" means the City of Saratoga Springs, Utah Water Revenue Reserve Instrument Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

"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 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 City of Saratoga Springs, Utah Water Revenue Fund created in the Indenture to be held by the Issuer and administered pursuant to the Indenture.

"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 Issuer from or attributable to the ownership and operation of the System (including proceeds of business interruption insurance), including (without limitation) all fees and service charges received by the Issuer from service contracts for the 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 in the funds of the Issuer. A portion of the System impact fees have been previously pledged under the Settlement Agreement such that the pledge of impact fees under this Indenture will be subordinate to the pledge in the Settlement Agreement while the Settlement Agreement is outstanding.

"S & P" means Standard & Poor's Rating Services.

"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.

"Settlement Agreement" means that certain Settlement and Culinary Water Asset Purchase and Sale Agreement dated February 2, 2005, wherein the Issuer has acquired certain portions of its System from Lake Mountain Mutual Water Company, Saratoga Springs Development, LLC and Scott McLachan and Lynn Wardley.

"Sinking Fund Account" means the City of Saratoga Springs, Utah Water Revenue Sinking Fund Account of the Bond Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

"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 the 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 the Indenture.

"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 water 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, 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.

"Trustee" means U.S. Bank 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 the Indenture.

"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.

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 under the Indenture 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 to the Indenture, the 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 the Indenture and the covenants and agreements in the Indenture 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 the 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.

Special Funds and Accounts

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 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 Paragraph (c) above 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 the Indenture, 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.

(g) The Trustee shall, to the extent there are no other available funds held under the Indenture, use the remaining funds in the Acquisition/Construction Fund to pay principal and interest on the Bonds at any time in the event of a payment default under the Indenture.

Use of Revenue Fund.

(a) Unless otherwise provided in the Indenture, 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 fifteen (15) days before each Interest Payment Date, transfer from the Revenue Fund to the Trustee for and 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) the principal and premium, if any, falling due on the next succeeding principal payment date established for the Bonds; plus

(iii) the Sinking Fund Installments, if any, falling due on the next succeeding Sinking Fund Installment payment date;

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 Interest Payment 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 of each month of each year:

(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 by the Indenture 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 in the Indenture 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 the Indenture) 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 such month, 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 the Indenture hereof) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such monthly 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 by the Indenture 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 paragraphs (b), (c) and (d) above 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 the following paragraph, 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.

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 "Use of Revenues" above;

(iii) any amount in the Construction Fund to the extent required by or directed pursuant to the Indenture 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 the Indenture; and

(v) all other moneys received by the Trustee under the Indenture when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund, shall be deposited into the Bond Fund.

(b) Except as provided in the Indenture 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 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 under the Indenture (or after provision has been made for the payment thereof as provided in the Indenture so that such Bonds are no longer Outstanding); (2) all agreements relating to all Security Instrument Repayment Obligations and outstanding 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 under the Indenture 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.

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 to the Indenture, 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.

Use of Debt Service Reserve Fund. Except as otherwise provided in this Section 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, (i) deposited from available Net Revenues over the period of time specified therein, or (ii) 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, the Issuer is required, pursuant to the Indenture and the provisions of any Supplemental Indenture, 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 the Indenture.

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.

Use of Reserve Instrument Fund. There shall be paid into the Reserve Instrument Fund the amounts required 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.

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 monthly from available Net Revenues 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 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.

Use of Rebate Fund. The Trustee shall establish and thereafter maintain, so long as the Bonds are Outstanding, a Rebate Fund, which shall be held separate and apart from all other funds and accounts established under the Indenture and from all other moneys of the Trustee. The Rebate Fund is created solely for purposes of compliance by the Issuer with the requirements of Section 148 of the Code or any successor.

Investment of Funds. All moneys in the Bond Fund, the Construction/Acquisition Fund, the Reserve Instrument Fund, the Rebate Fund, or the Debt Service Reserve Fund shall, at the discretion and 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 of 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 Construction/Acquisition 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 provided in the Indenture. All income derived from the investment of the Debt Service Reserve Fund shall be disbursed in accordance with the Indenture. All moneys in the Revenue Fund may, at the discretion of the Issuer, be invested by the Issuer in Qualified Investments.

The Issuer may invest the amounts on deposit in the Revenue Fund and the Repair and Replacement Fund as permitted by applicable law.

Trust Funds. All moneys and securities received by the Trustee under the provisions of the Indenture shall be trust funds under the terms of the Indenture 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 of the Indenture. Except as provided otherwise in the Indenture, unless and until disbursed pursuant to the terms of the Indenture, 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 under the Indenture.

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.

Use of Rate Stabilization Fund. The Issuer has created and shall maintain at all times hereafter 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 the Indenture. 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.

Covenants

General Covenants. The Issuer covenants and agrees with each and every Registered Owner of the Bonds issued under the Indenture 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 125% of the Aggregate Annual Debt Service Requirement for such 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 such rates must be reasonable rates for the type, kind and character of the service rendered. There shall be no free water service, and such rates shall be charged against all users of the System, including the Issuer. The Issuer agrees that should its annual financial statement made in accordance with the provisions of the Indenture disclose that during the period covered by such financial statement the Net Revenues 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 Costs so as to produce the necessary Net Revenues and Other Available Funds as required in the Indenture.

(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 of the Indenture 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 in the Indenture, 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

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

First Lien Bonds; Equality of Liens. The Bonds and any Security Instrument Repayment Obligation 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 first 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 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, including investments, if any, thereof, is and shall be subordinate to the assignment and pledge effected to the Registered Owners of the Bonds and to the Security Instrument Issuers.

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 under the Indenture, any Security Instrument Repayment Obligations and any Reserve Instrument Repayment Obligations, in strict conformity with the terms of the Bonds, the Indenture, any Security Instrument Agreement and any Reserve Instrument Agreement, according to the true intent and meaning of the Indenture 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 under the Indenture or the income from the temporary investment thereof), which Net Revenues are specifically pledged and assigned to the payment thereof in the manner and to the extent specified in the Indenture, and nothing in the Bonds, the 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.

Performance of Covenants; Issuer. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, 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 by the Indenture and to execute the Indenture, that all actions on its part for the issuance of the Bonds and the execution and delivery of the 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.

List of Bondholders. The Trustee will keep on file at its Principal 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 reasonable satisfaction of the Trustee.

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 and in such manner that the operating efficiency thereof shall be of the highest character.

Use of Legally Available Moneys. Notwithstanding any other provisions of the Indenture, nothing in the Indenture 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 of the Indenture 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.

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 under the Indenture and securing the Bonds, will be created or permitted to be created ranking equally with or prior to the Bonds (except for the parity lien thereon of Additional Bonds issued from time to time under the Indenture and under Supplemental Indentures), 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 the Indenture 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.

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.

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 Reserve Instrument 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 5% 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.

Default Provisions

Events of Default. Each of the following events is 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 under the Indenture 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 under the Indenture, for any reason be rendered incapable of fulfilling its obligations under the Indenture; 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;

(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 in the Indenture or any Supplemental Indenture on the part of the Issuer to be performed, other than as set forth in the Indenture, 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 under the Indenture; or

(j) any event specified in a Supplemental Indenture as constituting an Event of Default.

Remedies; Rights of Registered Owners. Upon the occurrence of an Event of Default, the Trustee, upon being indemnified pursuant to the Indenture, 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 under the Indenture.

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 indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section 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 conferred by the terms of the Indenture 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 under the Indenture, 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.

Right of Registered Owners to Direct Proceedings. Anything in the Indenture 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 of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture 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, 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 of the Indenture), 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, 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 (which shall be an Interest Payment Date unless it shall deem another date more suitable) 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.

Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under the Indenture 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.

Rights and Remedies of Registered Owners. Except as provided in the Indenture, 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 of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Indenture, unless an Event of Default has occurred of which the Trustee has been notified as provided in the Indenture, or of which 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 granted by the Indenture 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 the Indenture nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted in the Indenture, or to institute such action, suit or proceeding in its own name or names. Such notification, request and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trust of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture; 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 of the Indenture by its action or to enforce any right under the Indenture except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of the Registered Owners of all Bonds then Outstanding and all Security Instrument Issuers at the time of providing Security Instruments. Nothing contained in the Indenture 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 under the Indenture 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.

Termination of Proceedings. In case the Trustee, any Registered Owner or any Security Instrument Issuer shall have proceeded to enforce any right under the Indenture 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 any Security Instrument Issuer then and in every such case the Issuer and the Trustee shall be restored to their former positions and rights under the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Waivers of Events of Default. Subject to certain provisions of the Indenture, the Trustee may in its discretion, and with the prior written consent of all Security Instrument Issuers at the time providing Security Instruments, waive any Event of Default under the Indenture 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 under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Cooperation of Issuer. In the case of any Event of Default under the Indenture, the Issuer shall cooperate with the Trustee and use its best efforts to protect the Registered Owners, Reserve Instrument Providers and Security Instrument Issuers.

Trustee Provisions

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 under the Indenture 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 provided in the Indenture. 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 provision will not terminate upon its resignation or removal or upon payment of the Bonds and discharge of the Indenture.

Trustee's Right to Own and Deal in Bonds. The bank or trust company acting as Trustee under the Indenture, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued under the Indenture and secured by the 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 the Indenture.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Registered Owners, Security Instrument Issuers, or Reserve Instrument Providers. The Issuer and the Trustee may, without the consent of, or notice to, any of the Registered Owners, Security Instrument Issuers, or Reserve Instrument Providers, enter into an indenture or indentures supplemental, as shall not be inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

(a) To provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;

(b) To cure any ambiguity or formal defect or omission in the Indenture;

(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 the 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 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 in the Indenture to provisions of the Act, the Code or other applicable provisions of law that have been amended so that the references in the Indenture are correct.

<u>Supplemental Indentures Requiring Consent of Registered Owners and Reserve Instrument Providers; Waivers and Consents by Registered Owners</u>. Exclusive of Supplemental Indentures covered by the preceding subsection and subject to the terms and provisions contained in the Indenture, 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 in the Indenture 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 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 in the Indenture 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 of the Indenture or of any indenture supplemental; provided, however, that nothing in the Indenture 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 under the Indenture 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 shall modify the rights, duties or immunities of the Trustee, without the written consent of the Trustee. If a Security Instrument or 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 the preceding Section, neither the 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.

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 of the Indenture, 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 granted by the Indenture shall cease, terminate and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture, 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 of the Indenture, 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 the Indenture 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 in the Indenture, 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 under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Direct Obligations.

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);

(b) directing the Trustee to call for redemption pursuant to the Indenture any Bonds to be redeemed prior to maturity pursuant to the 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 the Indenture, a notice to the Registered Owners of such Bonds and to each related Security Instrument Issuer that the deposit required by the Indenture has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture 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 the Indenture may at the direction of the Issuer also be invested and reinvested in Direct Obligations, maturing in the amounts and times as set forth in the Indenture, and all income from all Direct Obligations in the hands of the Trustee pursuant to the Indenture 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.

No such deposit under the Indenture shall be made or accepted under the Indenture and no use made of any such deposit unless the Trustee shall have received an opinion of nationally recognized municipal bond counsel to the effect that such deposit and use would not cause any tax-exempt Bonds to be treated as arbitrage bonds within the meaning of Sections 148 of the Code.

Notwithstanding any provision of the Indenture, all moneys or Direct Obligations set aside and held in trust pursuant to the provisions of the Indenture 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 the Indenture to the contrary notwithstanding, if moneys or Direct Obligations have been deposited or set aside with the Trustee pursuant to the Indenture for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of the Indenture shall be made without the consent of the Registered Owner of each Bond affected thereby.

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY AND UTAH COUNTY

THE CITY

Population

Year	Population	Percent Change
2015 Estimate	25,407	4.29%
2014 Estimate	24,362	7.22
2013 Estimate	22,722	7.59
2012 Estimate	21,119	10.81
2011 Estimate	19,058	7.18
2010 Census	**17,781**	**10.27**

Note: The 2010 Census is as of April 1, 2010; the annual population estimates are as of July 1 of the year given. (Source: U.S. Census Bureau.)

UTAH COUNTY

General

Utah County (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 and encompasses approximately 2,000 square miles of land.

Population

Year	County	% Change	State of Utah	% Change
2015	575,205	2.4%	2,995,919	1.7 %
2014	561,534	1.7	2,944,498	1.4
2013	552,406	2.3	2,902,787	1.7
2012	540,100	1.8	2,855,194	1.4
2011	530,538	2.0	2,815,324	1.5
2010 Census	516,564	40.2	2,763,885	23.8
2000 Census	368,536	39.8	2,233,169	29.6
1990 Census	263,590	20.9	1,722,850	17.9

(Source: U.S. Census Bureau (estimates as of July 1 for years 2011-2015).)

Rate of Unemployment—Annual Average

Year	County	State of Utah	United States
2016*	2.9%*	3.7%*	4.9%*
2015	3.2	3.5	5.0
2014	3.5	3.8	6.2
2013	4.2	4.7	7.4
2012	5.0	5.4	8.1
2011	6.3	6.8	8.9
2010	7.4	7.8	9.6
2009	7.0	7.3	9.3
2008	3.5	3.6	5.8
2007	2.4	2.6	4.6

* As of August 2016 only; seasonally adjusted.

(Source: Utah Department of Workforce Services, and U.S. Bureau of Labor Statistics.)

Economic Indicators of the County

LABOR FORCE	2015	2014	2013	2012	2011
Labor Force	266,078	255,870	249,399	239,088	231,334
Employed	257,594	246,942	238,806	227,084	216,768
Unemployed	8,484	8,928	10,593	12,004	14,566
Rate	3.20%	3.50%	4.20%	*5.00%*	*6.30%*
Average Employment	222,212	208,836	200,154	190,111	181,056
% Change Prior Year	6.41	4.34	5.28	*5.00*	*3.67*
Agriculture, Forestry, Fishing & Hunting	1,166	1,159	1,143	1155.00	1052.00
Mining	88	111	103	126	76
Utilities	603	598	579	594	567
Construction	18,687	16,422	14,887	12,562	10,676
Manufacturing	17,641	17,773	17,476	16,540	15,827
Wholesale Trade	6,715	6,222	5,611	5,206	4,908
Retail Trade	28,124	25,441	24,313	23,172	22,504
Transportation and Warehousing	4,283	3,993	3,837	3,814	3,710
Information	11,512	10,317	9,670	8,926	8,335
Finance and Insurance	4,880	4,509	4,571	4,306	3,917
Real Estate, Rental and Leasing	2,356	2,306	2,254	2,028	1,998
Professional, Scientific and Technical Services	16,473	15,284	13,916	12,706	12,075
Management of Companies and Enterprises	1,191	1,239	1,059	1,128	1,154
Admin., Support, Waste Mgmt, Remediation	12,394	11,242	11,096	11,004	10,322
Education Services	40,049	39,137	38,767	38,443	37,967
Health Care and Social Assistance	26,284	24,934	24,137	22,795	21,487
Arts, Entertainment, and Recreation	4,246	3,883	3,544	3,516	3,273
Accommodation and Food Services	15,806	14,793	13,934	12,978	12,294
Other Services	4,979	4,774	4,626	4,428	4,327
Public Administration	5,889	5,850	5,769	5,831	5,634
Unclassified Establishments	15	--	8	--	9
Total Establishments	14,302	13,687	13,246	12,500	12,232
Total Wages ($Millions)	8,779.9	7,936.3	7,464.4	6,973.8	6,439.0

Continued . . .

INCOME AND WAGES	2015	2014	2013	2012	2011
Total Personal Income ($000)	n/a	18,105,125	17,259,931	16,660,323	15,385,049
Median Household Income	n/a	60,830	60,069	58,167	58,077
Per Capita Income	n/a	32,274	31,272	30,875	29,025
Average Monthly Nonfarm Wage	3,293	3,167	3,108	3,057	2,964

SALES AND BUILDING	2015	2014	2013	2012	2011
Gross Taxable Sales ($M)	8,151.1	7,555.1	7,186.9	6,886.1	6,250.5
Dwelling Unit Permits	4,474	5,167	3,247	2,344	1,865
Total Permit Authorized Construction ($M)	1,920,111.1	1,438,103.1	1,265,068.7	776,742.9	718,941.4
New Residential Construction ($M)	1,242,257.3	906,642.7	692,579.8	509,731.3	405,149.5
New Nonresidential Construction ($M)	448,656.2	362,638.5	360,620.5	153,234.8	202,873.8

(Sources: Utah Department of Workforce Services; U.S. Department of Commerce, Bureau of Economic Analysis.)

Major Employers

The following is a list of the 40 largest employers in the County based on 2015 annual averages. \

Company	Industry	Average Annual Employment
Brigham Young University	Colleges, Universities, and Professional Schools	15,000-19,999
Alpine School District	Elementary and Secondary Schools	7,000-9,999
Utah Valley Rgnl Medical Center	General Medical and Surgical Hospitals	5,000-6,999
Utah Valley State University	Colleges, Universities, and Professional Schools	3,000-3,999
Nebo School District	Elementary and Secondary Schools	3,000-3,999
Wal-Mart	Other General Merchandise Stores	2,000-2,999
State of Utah	Justice, Public Order, and Safety Activities	2,000-2,999
Vivint	Building Equipment Contractors	2,000-2,999
Bluefin Office Group	Office Supplies, Stationery, and Gift Stores	2,000-2,999
Provo School District	Elementary and Secondary Schools	1,000-1,999
IM Flash Technologies	Semiconductor and Other Electronic Component Manufacturing	1,000-1,999
Nexeo Staffing	Employment Services	1,000-1,999
Utah Valley University Foundation	Colleges, Universities, and Professional Schools	1,000-1,999
Pyne Floor Coverings	Building Finishing Contractors	1,000-1,999
Young Living Essential Oils	Direct Selling Establishments	1,000-1,999
Doterra International	Direct Selling Establishments	1,000-1,999
Provo City	Executive, Legislative, and Other General Government Support	1,000-1,999
Central Utah Medical Clinic	Offices of Physicians	1,000-1,999
Utah County	Administration of Economic Program	1,000-1,999
Nestle Prepared Foods Company	Fruit and Vegetable Preserving and Specialty Food Manufacturing	1,000-1,999
Adobe Systems Incorporated	Software Publishers	1,000-1,999
Vivint Solar	Building Equipment Contractors	500-999
RBD Acquisition Sub	Services to Buildings and Dwellings	500-999
Ancestry.Com	Other Information Services	500-999
Ash Construction	Foundation, Structure, and Building Exterior Contractors	500-999
Smiths Food And Drug	Grocery Stores	500-999
Chrysalis Utah	Individual and Family Services	500-999
Orem City	Executive, Legislative, and Other General Government Support	500-999
Costco	Other General Merchandise Stores	500-999
Maceys	Grocery Stores	500-999
City Of Lehi	Executive, Legislative, and Other General Government Support	500-999
Bluehost.Com	Data Processing, Hosting, and Related Services	500-999
Us Synthetic Corporation	Other Nonmetallic Mineral Product Manufacturing	500-999
Cedar Fort	Newspaper, Periodical, Book, and Directory Publishers	500-999
Alpine Building	Residential Building Construction	500-999
SOS Staffing Services	Employment Services	500-999
Qualtrics	Other Professional, Scientific, and Technical Services	500-999
Domo	Software Publishers	500-999
Nudge	Business Support Services	500-999
Property Solutions International	Data Processing, Hosting, and Related Services	500-999
Citizens Telecommunications	Wired Telecommunications Carriers	500-999
Timpanogos Rgnl Medical Service	General Medical and Surgical Hospitals	500-999
United States Government	Federal Government	500-999
Nu Skin International	Drugs and Druggists' Sundries Merchant Wholesalers	500-999
Nu Skin United States	Drugs and Druggists' Sundries Merchant Wholesalers	500-999
Xactware Solutions	Computer Systems Design and Related Services	500-999
The Home Depot	Building Material and Supplies Dealers	500-999
UHS Of Provo Canyon	Elementary and Secondary Schools	500-999

(Source: Utah Department of Workforce Services; based on 2015 average annual employment.)

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Saratoga Springs, Utah (the "City"), in connection with the issuance by the City of its $__________ Water Revenue Bonds, Series 2016 (the "Series 2016 Bonds"). The Series 2016 Bonds are being issued pursuant to resolutions of the City adopted on August 16, 2016 and September 20, 2016, and pursuant to a General Indenture of Trust dated November 1, 2014 (the "General Indenture"), as previously supplemented and amended, and as further supplemented and amended by a Second Supplemental Indenture of Trust dated as of November 1, 2016 (the "Second Supplemental Indenture" and together with the General Indenture, the "Indenture"), each between the City and U.S. Bank National Association, as trustee.

The Series 2016 Bonds are being issued for the purpose of (i) financing the acquisition and construction of improvements to the Issuer's water utility system, and (ii) paying costs of issuance of the Series 2016 Bonds.

In connection with the aforementioned transactions, the City hereby covenants and agrees as follows:

The City hereby acknowledges that it is an "obligated person" within the meaning of the hereinafter defined rule and the only "obligated person" with respect to the Series 2016 Bonds.

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 Series 2016 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 any 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 Series 2016 Bonds (including persons holding Series 2016 Bonds through nominees, depositories or other intermediaries).

"Business Day" means any day, other than a day on which bank located in New York, New York, or the City in which the principal office of the Trustee is located are required or authorized by law or executive order to close, or on which the New York Stock Exchange is closed.

"Dissemination Agent" shall mean initially, the City, acting in its capacity as Dissemination Agent hereunder, or any of its successors or assigns.

"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; Telephone (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 __________, 2016, relating to the Series 2016 Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2016 Bonds required to comply with the Rule in connection with the offering 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, not later than two hundred fifteen (215) days after the end of each fiscal year the City, commencing with the fiscal year ending June 30, 2016, provide to the MSRB in an electronic format, 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 (if the City is not 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, and later than the date required above for the filing of the Annual Report 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(e).

(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 Section 3(a), the Dissemination Agent shall, in a timely manner, send a notice of a failure to file the Annual Report to the MSRB in an electronic format.*

(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 to be submitted; and

(ii) if the Dissemination Agent is other than an officer of the City, file a report with the City certifying that the Annual Report 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 within 30 days after availability to the City.

(b) An update of the financial information of the type contained in the tables in the Official Statement under the following headings:

(i) "THE SYSTEM—Water Usage,"
(ii) "—Major Water Users,"
(iii) "—Water Connections,"
(iv) "—System Rates" (with respect to current System rates only),
(v) "—Historical and Pro Forma Net Income Debt Service Coverage" (historical information only); and
(vi) "—Five-Year Financial Summaries."

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. <u>Reporting of Significant Events</u>.

(a) Pursuant to the provisions of this Section 5(a), the City shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Series 2016 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 Series 2016 Bonds;

(vi) Defeasances;

(vii) Tender offers;

(viii) Bankruptcy, insolvency, receivership or similar proceedings; or

(ix) Rating changes.

(b) Pursuant to the provisions of this Section 5(b), the City shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Series 2016 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 Series 2016 Bonds;

(v) Series 2016 Bond calls; or

(vi) Release, substitution or sale of property securing repayment of the Series 2016 Bonds.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event under Section 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 Section 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 the Listed Event under Section 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 an electronic format in a timely manner 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 Series 2016 Bonds. If such termination occurs prior to the final maturity of the Series 2016 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 may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

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, 5(a) or 5(b), 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 Series 2016 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 Series 2016 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 either (i) is approved by the Holders of the Series 2016 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2016 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 Disclosure Report 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 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 Disclosure Report 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 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 Series 2016 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. A default under this Disclosure Undertaking shall not be deemed an "event of default" under the Indenture, and 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 attorney's 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 Series 2016 Bonds.

Section 12. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Series 2016 Bonds, and shall create no rights in any other person or entity.

Dated: ___________.

(SEAL)

By:____
Mayor

ATTEST:

By:____
City Recorder

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon the issuance of the Series 2016 Bonds, Ballard Spahr LLP, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

We have acted as bond counsel for Saratoga Springs City, Utah (the "Issuer") in connection with the issuance by the Issuer of its $__________ Water Revenue Bonds, Series 2016 (the "Series 2016 Bonds"). The Series 2016 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 General Indenture of Trust dated November 1, 2014 (the "General Indenture"), as previously supplemented and amended, and as further supplemented and amended by a Second Supplemental Indenture of Trust dated as of November 1, 2016 (the "Second Supplemental Indenture" and together with the General Indenture, the "Indenture"), each between the Issuer and U.S. Bank National Association, as trustee (iii) resolutions of the City adopted on August 16, 2016 and September 20, 2016, which provide for the issuance of the Series 2016 Bonds; and (iv) other applicable provisions of law.

The Series 2016 Bonds are being issued for the purpose of (i) financing the acquisition and construction of improvements to the Issuer's water utility system and (ii) paying costs of issuance of the Series 2016 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 2016 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 Issuer is a political subdivision and body politic of the State of Utah created and validly existing under the laws of the State of Utah.

2. The Indenture has been authorized, executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. The Indenture creates a valid lien on the Net Revenues (as defined in the Indenture) and other amounts pledged for the security of the Series 2016 Bonds.

4. The Series 2016 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 2016 Bonds do not constitute a general obligation indebtedness of the Issuer within the meaning of any state constitutional provision or statutory limitation, nor a charge against the general credit or taxing power of the Issuer.

5. Interest on the Series 2016 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2016 Bonds, assuming the accuracy of the certifications of the Issuer and continuing compliance by the Issuer with the requirements of the Internal Revenue Code of 1986, as amended. Interest on the Series 2016 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax ("AMT"); however, interest on Series 2016 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder.

6. Interest on the Series 2016 Bonds is exempt from State of Utah individual income taxes under currently existing law.

In rendering our opinion, we wish to advise you that:

(a) The rights of the holders of the Series 2016 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 laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) We express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2016 Bonds; and

(c) Except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016 Bonds.

Respectfully submitted,

APPENDIX F

PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 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 Bond certificate will be issued for each maturity of the Series 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or its agent.

DTC, the world's largest 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 3.5 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 Standard & Poor's 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 www.dtcc.com.

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 Series 2016 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 Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 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 Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 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 Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 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 Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2016 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 detail information from the Issuer 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 Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer 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 Series 2016 Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 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, 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.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100