

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the 2017 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel is also of the opinion that the interest on the 2017 Bonds (including any original issue discount properly allocable to an owner thereof) is exempt from State of Utah individual income taxes. See "TAX MATTERS" in this Official Statement.

The City intends to designate the 2017 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

\$9,780,000

City of Saratoga Springs, Utah

Sales Tax Revenue Bonds, Series 2017

The \$9,780,000 Sales Tax Revenue Bonds, Series 2017 are issued by the City as fully-registered bonds and, when initially issued, will be in book-entry form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York. DTC will act as securities depository for the 2017 Bonds.

Principal of and interest on the 2017 Bonds (interest payable June 1 and December 1 of each year, commencing December 1, 2017) are payable by Zions Bank, a division of ZB, National Association, Corporate Trust Department, Salt Lake City, Utah, as Paying Agent, to the registered owners thereof, initially DTC. See "THE 2017 BONDS—Book-Entry System" herein.

The 2017 Bonds are subject to optional redemption prior to maturity. See "THE 2017 BONDS—Redemption Provisions" herein.

Proceeds of the 2017 Bonds are being issued for the purposes of financing the acquisition, construction, renovation, equipping and furnishing of a regional park complex and paying costs of issuance of the 2017 Bonds. See "THE 2017 BONDS" and "THE 2017 PROJECT" herein. The 2017 Bonds and Outstanding Parity Bonds previously issued by the City will be issued pursuant to the Indenture (as defined herein).

The 2017 Bonds are special limited obligations of the City, payable solely from and secured by a pledge of the revenues, moneys, securities and funds pledged therefor in the Indenture. The revenues consist of the Pledged Taxes. No assurance can be given that the Pledged Taxes will remain sufficient for the payment of principal and interest on the 2017 Bonds and the City is limited by Utah law in its ability to increase the rate of such taxes. See "RISKS INHERENT IN THE OWNERSHIP OF THE 2017 BONDS" herein. The 2017 Bonds do not constitute general obligation indebtedness or a pledge of the ad valorem taxing power or 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 all or any portion of the improvements financed or refinanced with the proceeds of the 2017 Bonds to secure payment of the 2017 Bonds. See "SECURITY AND SOURCES OF PAYMENT" herein.

Dated: Date of Delivery¹

Due: June 1, as shown on inside front cover

See the inside front cover for the maturity schedule of the 2017 Bonds.

The 2017 Bonds were awarded pursuant to competitive bidding received by means of the *PARITY*[®] electronic bid submission system on March 29, 2017 to Wells Fargo Bank, National Association, Municipal Products Group, Charlotte, North Carolina, as set forth in the OFFICIAL NOTICE OF BOND SALE (dated March 17, 2017).

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

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

This OFFICIAL STATEMENT is dated March 29, 2017, and the information contained herein speaks only as of that date.

¹ The anticipated date of delivery is Tuesday, April 18, 2017.

City of Saratoga Springs

\$9,780,000

Sales Tax Revenue Bonds, Series 2017

Dated: Date of Delivery¹

Due: June 1, as shown below

<u>Due June 1</u>	<u>CUSIP® 803567</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield/ Price</u>
2018.....	AW6	\$330,000	3.00%	1.15%
2019.....	AX4	375,000	3.00	1.35
2020.....	AY2	385,000	3.00	1.50
2021.....	AZ9	400,000	3.00	1.65
2022.....	BA3	410,000	3.00	1.85
2023.....	BB1	425,000	3.00	2.00
2024.....	BC9	435,000	3.00	2.10
2025.....	BD7	450,000	3.00	2.20
2026.....	BE5	460,000	3.00	2.30
2027.....	BF2	475,000	3.00	2.40 ^c
2028.....	BG0	490,000	3.00	2.50 ^c
2029.....	BH8	505,000	3.00	2.60 ^c
2030.....	BJ4	520,000	3.00	2.70 ^c
2031.....	BK1	535,000	3.00	2.80 ^c
2032.....	BL9	550,000	3.00	2.90 ^c
2033.....	BM7	570,000	3.00	100.00
2034.....	BN5	585,000	3.50	3.10 ^c
2035.....	BP0	605,000	3.50	3.20 ^c
2036.....	BQ8	625,000	3.50	3.30 ^c
2037.....	BR6	650,000	3.50	3.35 ^c

¹ The anticipated date of delivery is Tuesday, April 18, 2017.

[®] CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Capital IQ.

^c Priced to par call on June 1, 2026.

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This OFFICIAL STATEMENT does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of, the 2017 Bonds (as defined herein), by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other informational representations must not be relied upon as having been authorized by either the City of Saratoga Springs, Utah (the “City”); Zions Bank, a division of ZB, National Association, Corporate Trust Department, Salt Lake City, Utah (as Trustee, Bond Registrar and Paying Agent); Zions Public Finance, Inc., Salt Lake City, Utah (as Municipal Advisor); the bidder(s); or any other entity. All other information contained herein has been obtained from the City, The Depository Trust Company, New York, New York and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor the issuance, sale, delivery or exchange of the 2017 Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the City since the date hereof.

The 2017 Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such act and laws. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is unlawful.

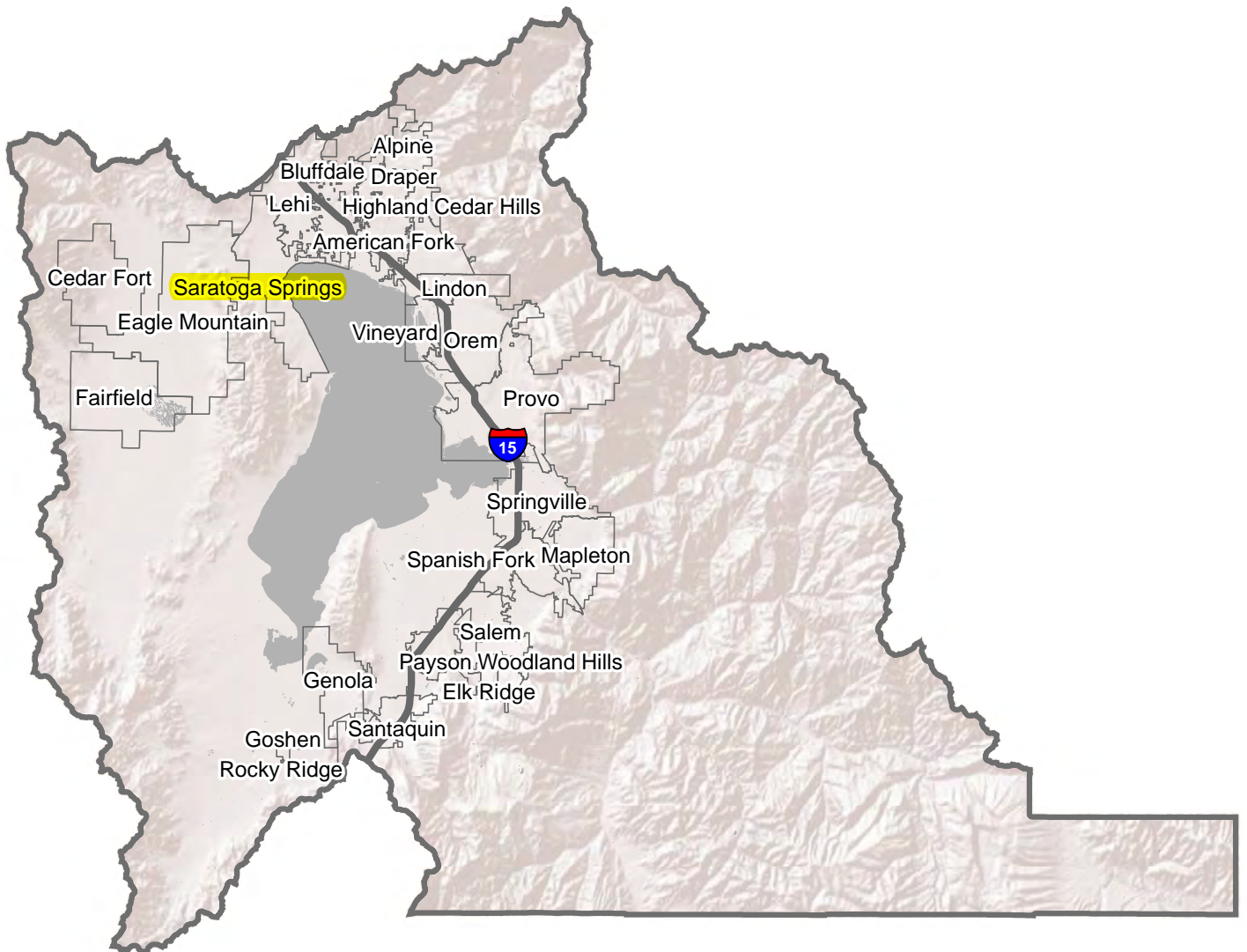
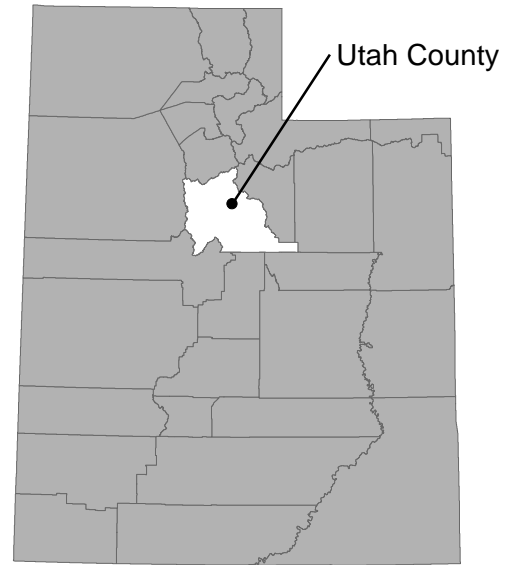
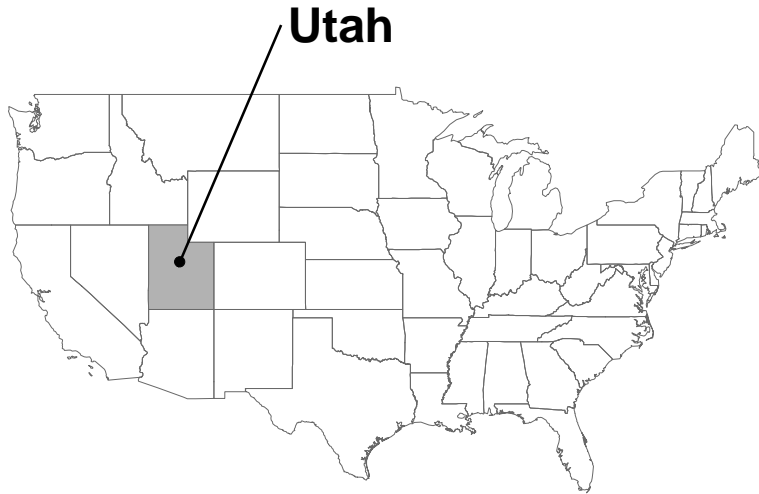
The yields/prices at which the 2017 Bonds are offered to the public may vary from the initial reoffering yields/prices on the inside cover page of this OFFICIAL STATEMENT. In addition, the bidders may allow concessions or discounts from the initial offering prices of the 2017 Bonds to dealers and others. In connection with the offering of the 2017 Bonds, the bidders may engage in transactions that stabilize, maintain, or otherwise affect the price of the 2017 Bonds. Such transactions may include over-allotments in connection with the purchase of 2017 Bonds, the purchase of 2017 Bonds to stabilize their market price and the purchase of 2017 Bonds to cover the bidders’ short positions. Such transactions, if commenced, may be discontinued at any time.

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

The CUSIP® (the Committee on Uniform Securities Identification Procedures) identification numbers are provided on the inside cover page of this OFFICIAL STATEMENT and are being provided solely for the convenience of bondholders only, and the City makes no representation with respect to such numbers or undertakes any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2017 Bonds.

The information available at web sites referenced in this OFFICIAL STATEMENT has not been reviewed for accuracy and completeness. Such information has not been provided in connection with the offering of the 2017 Bonds and is not a part of this OFFICIAL STATEMENT.

Counties in Utah



Cities in Utah County

OFFICIAL STATEMENT RELATED TO

\$9,780,000

City of Saratoga Springs, Utah

Sales Tax Revenue Bonds, Series 2017

INTRODUCTION

This introduction is only a brief description of the 2017 Bonds, as hereinafter defined, the security and sources of payment for the 2017 Bonds and certain information regarding the City of Saratoga Springs, Utah (the “City”). The information contained herein is expressly qualified by reference to the entire OFFICIAL STATEMENT. Investors are urged to make a full review of the entire OFFICIAL STATEMENT as well as the documents summarized or described herein.

See the following appendices that are attached hereto and incorporated herein by reference: “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016”; “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE”; “APPENDIX C—PROPOSED FORM OF OPINION OF BOND COUNSEL”; “APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING”; and “APPENDIX E—BOOK-ENTRY SYSTEM”.

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

Public Sale/Electronic Bid

The 2017 Bonds were awarded pursuant to competitive bidding received by means of the PARITY® electronic bid submission system on March 29, 2017 to Wells Fargo Bank, National Association, Municipal Products Group, Charlotte, North Carolina, as set forth in the OFFICIAL NOTICE OF BOND SALE (dated March 17, 2017).

The 2017 Bonds may be offered and sold to certain dealers (including dealers depositing the 2017 Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the inside cover page of the OFFICIAL STATEMENT and such public offering prices may be changed from time to time.

City of Saratoga Springs, Utah

The City, incorporated in 1997, covers an area of approximately 21 square miles and is located in the northern portion of Utah County, Utah (the “County”). The City is located approximately 24 miles northwest of the City of Provo, Utah. The City had 25,407 residents according to the 2015 estimate by the U.S. Census Bureau. The County is situated in the north central portion of the State of Utah (the “State”). Incor-

porated in 1850, the County is bordered on the north by Salt Lake County, Utah and encompasses approximately 2,000 square miles of land. The County had 575,205 residents in 2015 according to the estimates by the U.S. Census Bureau, ranking the County as the second largest populated county in the State. See the location map of the City and County above.

The 2017 Bonds

This OFFICIAL STATEMENT, including the cover page, introduction and appendices, provides information in connection with the issuance and sale by the City of its \$9,780,000 Sales Tax Revenue Bonds, Series 2017, (the “2017 Bonds” or “2017 Bond”), initially issued in book–entry form.

Authority And Purpose Of The 2017 Bonds; Outstanding Parity Bonds

Authority and Purpose of the 2017 Bonds. The 2017 Bonds are being issued pursuant to: (i) the Local Government Bonding Act (the “Act”) Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the “Utah Code”); (ii) resolutions of the City Council of the City adopted on December 6, 2016 and January 3, 2017; and (iii) a General Indenture of Trust, dated as of June 1, 2011 (the “General Indenture”) between the City and Zions Bank, a division of ZB, National Association, Corporate Trust Department, Salt Lake City, Utah (“Zions Bank”), as trustee (the “Trustee”), as further supplemented by a Second Supplemental Indenture of Trust, dated as of April 1, 2017, between the City and the Trustee (the “Second Supplemental Indenture of Trust”) providing for the issuance of the 2017 Bonds. The General Indenture, together with all supplements thereto, including without limitation the Second Supplemental Indenture of Trust, is sometimes referred to collectively herein, as the “Indenture.”

The 2017 Bonds are being issued for the purposes of financing the acquisition, construction, renovation, equipping and furnishing of a regional park complex, and paying costs of issuance of the 2017 Bonds. See “THE 2017 BONDS” and “THE 2017 PROJECT” herein. The 2017 Bonds will be issued pursuant to the Indenture.

Outstanding Parity Bonds. The City has outstanding under the Indenture its \$4,000,000 (original principal amount) Sales Tax Revenue Bonds, Series 2011, dated June 1, 2011, currently outstanding in the aggregate principal amount of \$3,250,000 (the “2011 Bonds” or the “Outstanding Parity Bonds”).

The 2017 Bonds and Outstanding Parity Bonds will be equally and ratably secured under the Indenture.

Security And Source Of Payment

The 2017 Bonds are special limited obligations of the City payable on a parity with the Outstanding Parity Bonds solely from and secured solely by the Revenues, moneys, securities and funds pledged therefor under the Indenture between the City and the Trustee. The Revenues consist of all the revenues produced by sales and use taxes levied by the City under the Local Sales and Use Tax Act, Title 59, Chapter 12, Part 2, Utah Code (the “Local Sales and Use Tax Act”) (the “Pledged Sales and Use Taxes” or the “Pledged Taxes”).

No assurance can be given that the Pledged Taxes will remain sufficient for the payment of the principal of or interest on the 2017 Bonds and the City is limited by State law in its ability to increase the rate of such taxes. See “RISKS INHERENT IN THE OWNERSHIP OF THE 2017 BONDS” below. The 2017 Bonds do not constitute general obligation indebtedness or a pledge of the ad valorem taxing power or the full faith and credit of the City, and are not obligations of the State or any other agency or other political subdivision or entity of the State. The City will not mortgage or grant any security interest in any of the improvements financed with the proceeds of the 2017 Bonds to secure payment of the 2017 Bonds.

See “SECURITY AND SOURCES OF PAYMENT” below.

The 2017 Bonds are secured on a parity lien with the Outstanding Parity Bonds and with any additional bonds, notes or other obligations that may be issued from time to time under the Indenture (the “Additional Bonds”). See “SECURITY AND SOURCES OF PAYMENT—Issuance Of Additional Bonds” below. The 2017 Bonds, the Outstanding Parity Bonds and any Additional Bonds which may be issued from time to time under the Indenture are collectively referred to herein as the “Bonds.”

Pledged Taxes

Pledged Local Sales and Use Taxes. The City presently levies a local option sales and use tax at the rate of 1% (the maximum rate permitted by the Local Sales and Use Tax Act) on all taxable sales of goods and services in the City.

Collections. The Pledged Taxes are collected by the Utah State Tax Commission and distributed monthly to the City, as provided by law.

Pledged Taxes. The local sales and use tax represents all of the Pledged Taxes. The Pledged Taxes for Fiscal Year 2016 are \$3.216 million and will, if maintained at that level, provide projected coverage of approximately 3.3 times the expected maximum debt service \$964,763 occurring in Fiscal Year 2029. Under the Indenture the City may not issue Additional Bonds unless Pledged Taxes are at least 200% of maximum annual debt service on the Outstanding Bonds and Additional Bonds for any 12 consecutive months in the preceding 24 months. See “SECURITY AND SOURCES OF PAYMENT—Pledged Taxes” and “PROJECTED DEBT SERVICE COVERAGE” below.

Redemption Provisions

The 2017 Bonds are subject to optional redemption prior to maturity. See “THE 2017 BONDS—Redemption Provisions” herein.

Registration, Denominations, Manner Of Payment

The 2017 Bonds are issuable only as fully-registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, (“DTC”). DTC will act as securities depository of the 2017 Bonds. Purchases of 2017 Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof, through brokers and dealers who are, or who act through, DTC’s Participants (as defined herein). Beneficial Owners (as defined herein) of the 2017 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 2017 Bonds. “Direct Participants,” “Indirect Participants” and “Beneficial Owners” are defined under “APPENDIX E—BOOK-ENTRY SYSTEM.”

Principal of and interest on the 2017 Bonds (interest payable June 1 and December 1 of each year, commencing December 1, 2017) are payable by Zions Bank, as Paying Agent for the 2017 Bonds, to the registered owners of the 2017 Bonds. So long as Cede & Co. is the sole registered owner, it will, in turn, remit such principal and interest to its Direct Participants, for subsequent disbursements to the Beneficial Owners of the 2017 Bonds, as described under “APPENDIX E—BOOK-ENTRY SYSTEM.”

So long as DTC or its nominee is the sole registered owner of the 2017 Bonds, neither the City nor the Trustee will have any responsibility or obligation to any Direct or Indirect Participants of DTC, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, Indirect Participants or the Beneficial Owners of the 2017 Bonds. Under these same circumstances, references herein and in the Indenture to the “Bondowners” or “Registered Owners” of the 2017 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2017 Bonds.

Tax-Exempt Status Of The Bonds; Qualified Tax-Exempt Obligations

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), (1) the interest on the 2017 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (2) the 2017 Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. Bond Counsel is also of the opinion that the interest on the 2017 Bonds (including any original issue discount properly allocable to an owner thereof) is exempt from State of Utah individual income taxes. See “TAX MATTERS” in this Official Statement. 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 2017 Bonds.

See “TAX MATTERS” herein for a more complete discussion.

Professional Services

In connection with the issuance of the 2017 Bonds, the following have served the City in the capacity indicated.

Trustee, Bond Registrar and Paying Agent

Zions Bank a division of ZB National Association
Corporate Trust Department
One S Main St 12th Floor
Salt Lake City UT 84133-1109
801.844.7529 | f 855.547.5428
linda.anderson@zionsbancorp.com

Bond Counsel and Disclosure Counsel

Gilmore & Bell PC
15 W S Temple Ste 520
Salt Lake City UT 84101
801.364.5080 | f 801.364.5032
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Municipal Advisor

Zions Public Finance Inc.
Zions Bank Building
One S Main St 18th Floor
Salt Lake City UT 84133-1109
801.844.7373 | f 801.844.4484
johnathan.ward@zionsbancorp.com

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

The 2017 Bonds are offered, subject to prior sale, when, as and if issued and received by the successful bidder(s) subject to the approval of legality by Gilmore & Bell, P.C., Bond Counsel, and certain other conditions. Certain matters regarding this OFFICIAL STATEMENT will be passed on by Gilmore & Bell, P.C., as disclosure counsel. Certain legal matters will be passed on for the City by Kevin Thurman, City Attorney. It is expected that the 2017 Bonds, in book-entry form, will be available for delivery to DTC or its agent on or about Tuesday, April 18, 2017.

Continuing Disclosure Undertaking

The City will enter into a continuing disclosure undertaking for the benefit of the Beneficial Owners of the 2017 Bonds. For a detailed discussion of this disclosure undertaking, previous undertakings and timing of submissions see “CONTINUING DISCLOSURE UNDERTAKING” below and “APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

Basic Documentation

This OFFICIAL STATEMENT speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the City and the 2017 Bonds are included in this OFFICIAL STATEMENT. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture and the 2017 Bonds are qualified in their entirety by reference to each such document. See “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE.”

Descriptions of the Indenture and the 2017 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. Other documentation authorizing the issuance of the 2017 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

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

Johnathan Ward, Vice President, johnathan.ward@zionsbancorp.com
Zions Public Finance, Inc.
Zions Bank Building
One S Main St 18th Floor
Salt Lake City UT 84133-1109
801.844.7373 | f 801.844.4484

As of the date of this OFFICIAL STATEMENT, the chief contact person for the City concerning the 2017 Bonds is:

Mark Christensen, City Manager, markc@saratogaspringscity.com
City of Saratoga Springs
1307 N Commerce Dr Ste 200
Saratoga Springs UT 84043
801.766.9793 | f 801.766.9794

CONTINUING DISCLOSURE UNDERTAKING

Continuing Disclosure Undertaking For 2017 Bonds

The City will enter into a Continuing Disclosure Undertaking (the “Disclosure Undertaking”) for the benefit of the Beneficial Owners of the 2017 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system (“EMMA”) pursuant to the requirements of paragraph (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Disclosure Undertaking, including termination, amendment and remedies, are set forth in the form of Disclosure Undertaking in “APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

Based on prior disclosure undertakings (as described below) the City submits its comprehensive annual financial report for the Fiscal Year Ending June 30 (the “CAFR”) and other operating and financial information on or before January 31 (not more than seven months from the end of the Fiscal Year). The City

will submit the Fiscal Year 2017 CAFR and other operating and financial information for the 2017 Bonds on or before January 31, 2018, and annually thereafter on or before each January 31.

A failure by the City to comply with the Disclosure Undertaking will not constitute a default under the Indenture and the Beneficial Owners of the 2017 Bonds are limited to the remedies described in the Disclosure Undertaking. A failure by the City to comply with the annual disclosure requirements of the Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2017 Bonds in the secondary market. Consequently, such a failure may adversely affect the marketability and liquidity of the 2017 Bonds and their market price.

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

Failure To Provide Annual Audited Financial Statements On A Timely Basis

The City entered into a limited continuing disclosure undertaking for the 2011 Bonds (the “2011 Limited Undertaking”; CUSIP®803567). The City entered into a second continuing disclosure undertaking on November 5, 2014 for its \$9,995,000, Water and Revenue Refunding Bonds, Series 2014 (the “2014 Undertaking”; CUSIP®803566). The City’s annual submission date for continuing disclosure information is January 31 (215 days following the end of each fiscal year).

The 2011 Limited Undertaking. On January 31, 2013, January 31, 2014, and January 31, 2015, the City failed to timely provide its financial reports for Fiscal Years 2012, 2013, and 2014, and did not provide, in a timely manner, notices of late annual financial information. The City submitted the required information for Fiscal Years 2012 and 2013 on September 10, 2014 (587 and 222 days late, respectively). Additionally, the City submitted its required information for Fiscal Year 2014 on February 25, 2015 (25 days late). Fiscal Year 2015 and Fiscal Year 2016 information was submitted on time before the required deadline (on January 27, 2016 and December 19, 2016, respectively).

The 2014 Undertaking. On January 31, 2015, the City failed to timely provide its financial reports and operating information as required for Fiscal Year 2014. The City submitted a failure to file notice along with the required information on February 25, 2015 (25 days late). Fiscal Year 2015 and Fiscal Year 2016 information was submitted on time before the required deadline (on January 27, 2016 and December 19, 2016, respectively).

The City has hired an independent third party to meet future disclosure obligations.

RISKS INHERENT IN THE OWNERSHIP OF THE 2017 BONDS

The purchase of the 2017 Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. Accordingly, each prospective purchaser of the 2017 Bonds should make an independent evaluation of all of the information presented in this OFFICIAL STATEMENT in order to make an informed investment decision. Certain of these risks are described below.

Uncertainty Of Economic Activity And Sales Taxes

The amount of Pledged Taxes to be collected by the City is dependent on a number of factors beyond the control of the City, including, but not limited to, the state of the United States economy and the economy of the State and the City. Any one or more of these factors could result in the City receiving less Pledged Taxes than anticipated. During periods in which economic activity declines, Pledged Taxes are likely to fall as compared to an earlier year. In addition, Pledged Taxes are dependent on the volume of the transactions subject to the tax. From time to time, proposals have been made by the Utah State Legislature (the

“State Legislature”) to add or remove certain types of purchases from the sales tax and the State (like many other states) has recognized the potential reduction in sales tax revenues as a result of purchases made through the internet and other non-traditional means. In addition, the State Legislature has, from time to time, considered legislation to revise the amount of sales tax to be levied or to adjust the method of allocating sales tax to local governmental entities. The City cannot predict what impact these items may have on the Pledged Taxes it receives.

The 2017 Bonds Are Limited Obligations

The 2017 Bonds are special limited obligations of the City, payable solely from the Pledged Taxes, moneys, securities and funds pledged therefor in the Indenture. No assurance can be given that the amount of Pledged Taxes received by the City will remain sufficient for the payment of the principal or interest on the 2017 Bonds and the City is limited by State law in its ability to increase the rate of such taxes. The 2017 Bonds do not constitute general obligation indebtedness or a pledge of the ad valorem taxing power or the full faith and credit of the City, and are not obligations of the State or any other agency or other political subdivision or entity of the State. The City will not mortgage or grant any security interest in any of the projects financed with the proceeds of the 2017 Bonds to secure payment of the 2017 Bonds.

See “SECURITY AND SOURCES OF PAYMENT—State Pledge Of Nonimpairment” below.

Limitation On Increasing Rates For Pledged Taxes

The City currently levies the maximum rate allowed under the Local Sales and Use Tax Act for all taxes making up the Pledged Taxes. No assurance can be given that the Pledged Taxes will remain sufficient for the payment of the principal of or interest on the 2017 Bonds and the City is limited by State law in its ability to increase the rate of such taxes.

No Reserve Fund Requirement For The 2017 Bonds

Pursuant to the Indenture, each Series of Bonds may be secured by a separate subaccount in the Debt Service Reserve Fund. *Upon the issuance of the 2017 Bonds there will be no funding of a subaccount of the Debt Service Reserve Fund with respect to the 2017 Bonds.*

THE 2017 BONDS

General

The 2017 Bonds are dated the date of delivery¹ thereof (the “Dated Date”) and will mature on June 1 of the years and in the amounts as set forth on the inside cover page of this OFFICIAL STATEMENT.

The 2017 Bonds shall bear interest from the Dated Date at the rates set forth on the inside cover page of this OFFICIAL STATEMENT. Interest on the 2017 Bonds is payable on December 1, 2017, and semi-annually thereafter on each June 1 and December 1. Interest on the 2017 Bonds shall be computed on the basis of a 360-day year comprised of 12, 30-day months. Zions Bank is the initial Registrar, Paying Agent and Trustee with respect to the 2017 Bonds (in such respective capacities, the “Registrar,” “Paying Agent” and “Trustee”).

The 2017 Bonds will be issued as fully-registered bonds, initially in book-entry form, in the denomination of \$5,000 or any whole multiple thereof, not exceeding the amount of each maturity.

¹ The anticipated date of delivery is Tuesday, April 18, 2017.

Redemption Provisions

Optional Redemption for the 2017 Bonds. The 2017 Bonds maturing on or prior to June 1, 2026, are not subject to redemption prior to maturity. The 2017 Bonds maturing on or after June 1, 2027, 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 2017 Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

Selection for Redemption. If less than all 2017 Bonds of any maturity are to be redeemed, the particular 2017 Bonds or portion of 2017 Bonds of such maturity to be redeemed will be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate. The portion of any registered 2017 Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or a whole multiple thereof, and in selecting portions of such 2017 Bonds for redemption, the Trustee will treat each such 2017 Bond as representing that number of 2017 Bonds of \$5,000 denomination that is obtained by dividing the principal amount of such 2017 Bond by \$5,000.

Notice of Redemption. Notice of redemption will be given by the Bond Registrar by registered or certified mail, not less than 30 nor more than 60 days prior to the redemption date, to the owner, as of the Record Date, as defined under “THE 2017 BONDS—Registration And Transfer; Record Date” below, of each 2017 Bond that is subject to redemption, at the address of such owner as it appears on the registration books of the City kept by the Bond Registrar or at such other address as is furnished to the Bond Registrar in writing by such owner on or prior to the Record Date. Each notice of redemption will state the Record Date, the principal amount, the redemption date, the place of redemption, the redemption price and, if less than all of the 2017 Bonds are to be redeemed, the distinctive numbers of the 2017 Bonds or portions of 2017 Bonds to be redeemed, and will also state that the interest on the 2017 Bonds in such notice designated for redemption will cease to accrue from and after such redemption date and that on the redemption date there will become due and payable on each of the 2017 Bonds to be redeemed the principal thereof and interest accrued thereon to the redemption date.

Each notice of optional redemption may further state that such redemption will be conditioned upon the receipt by the Trustee, on or prior to the date fixed for redemption, of moneys sufficient to pay the principal of and premium, if any, and interest on such 2017 Bonds to be redeemed and that if such moneys have not been so received the notice will be of no force or effect and the City will not be required to redeem such 2017 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. Any such notice mailed will be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice. Failure to give such notice or any defect therein with respect to any 2017 Bond will not affect the validity of the proceedings for redemption with respect to any other 2017 Bond.

In addition to the foregoing notice, further notice of such redemption will be given by the Trustee to the MSRB as provided in the Indenture, but no defect in such further notice nor any failure to give all or any portion of such notice will in any manner affect the validity of a call for redemption if notice thereof is given as prescribed above and in the Indenture.

For so long as a book-entry system is in effect with respect to the 2017 Bonds, the Bond Registrar will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any Direct Participants or any failure of the Direct Participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the sufficiency of the notice or the validity of the redemption of 2017 Bonds. See “THE 2017 BONDS—Book-Entry System” below.

Book–Entry System

DTC will act as securities depository for the 2017 Bonds. The 2017 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 2017 Bond certificate will be issued for each maturity of the 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or a “fast agent” of DTC. See “APPENDIX E—BOOK–ENTRY SYSTEM” for a more detailed discussion of the book–entry system and DTC.

Registration And Transfer; Record Date

In the event the book–entry only system is discontinued, any 2017 Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by such owner’s duly authorized attorney, upon surrender of such 2017 Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Bond Registrar. No transfer will be effective until entered on the registration books kept by the Bond Registrar. Whenever any 2017 Bond is surrendered for transfer, the Bond Registrar shall authenticate and deliver a new fully–registered 2017 Bond or 2017 Bonds of the same series, designation, maturity and interest rate and of authorized denominations duly executed by the City, for a like aggregate principal amount.

The 2017 Bonds may be exchanged at the principal corporate office of the Trustee for a like aggregate principal amount of fully–registered 2017 Bonds of the same series, designation, maturity and interest rate of other authorized denominations.

For every such exchange or transfer of the 2017 Bonds, the Trustee must make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer of the 2017 Bonds.

“Regular Record Date” means the fifteenth day immediately preceding each Interest Payment Date. “Special Record Date” means such date as may be fixed for the payment of defaulted interest on the Bonds in accordance with the Indenture. The Trustee will not be required to transfer or exchange any 2017 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 15 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 15 days prior to the mailing of notice calling any Bonds for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The City, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each 2017 Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner of such 2017 Bond for the purpose of payment of principal, premium and interest with respect to such 2017 Bond and for all other purposes whatsoever. See “APPENDIX E—BOOK–ENTRY SYSTEM” for a more detailed discussion of the book–entry system and DTC.

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Debt Service On The 2017 Bonds

Payment Date	The 2017 Bonds		Period Total	Fiscal Total
	Principal	Interest		
December 1, 2017.....	\$ 0.00	\$ 189,379.65	\$ 189,379.65	
June 1, 2018.....	330,000.00	152,862.50	482,862.50	\$672,242.15
December 1, 2018.....	0.00	147,912.50	147,912.50	
June 1, 2019.....	375,000.00	147,912.50	522,912.50	670,825.00
December 1, 2019.....	0.00	142,287.50	142,287.50	
June 1, 2020.....	385,000.00	142,287.50	527,287.50	669,575.00
December 1, 2020.....	0.00	136,512.50	136,512.50	
June 1, 2021.....	400,000.00	136,512.50	536,512.50	673,025.00
December 1, 2021.....	0.00	130,512.50	130,512.50	
June 1, 2022.....	410,000.00	130,512.50	540,512.50	671,025.00
December 1, 2022.....	0.00	124,362.50	124,362.50	
June 1, 2023.....	425,000.00	124,362.50	549,362.50	673,725.00
December 1, 2023.....	0.00	117,987.50	117,987.50	
June 1, 2024.....	435,000.00	117,987.50	552,987.50	670,975.00
December 1, 2024.....	0.00	111,462.50	111,462.50	
June 1, 2025.....	450,000.00	111,462.50	561,462.50	672,925.00
December 1, 2025.....	0.00	104,712.50	104,712.50	
June 1, 2026.....	460,000.00	104,712.50	564,712.50	669,425.00
December 1, 2026.....	0.00	97,812.50	97,812.50	
June 1, 2027.....	475,000.00	97,812.50	572,812.50	670,625.00
December 1, 2027.....	0.00	90,687.50	90,687.50	
June 1, 2028.....	490,000.00	90,687.50	580,687.50	671,375.00
December 1, 2028.....	0.00	83,337.50	83,337.50	
June 1, 2029.....	505,000.00	83,337.50	588,337.50	671,675.00
December 1, 2029.....	0.00	75,762.50	75,762.50	
June 1, 2030.....	520,000.00	75,762.50	595,762.50	671,525.00
December 1, 2030.....	0.00	67,962.50	67,962.50	
June 1, 2031.....	535,000.00	67,962.50	602,962.50	670,925.00
December 1, 2031.....	0.00	59,937.50	59,937.50	
June 1, 2032.....	550,000.00	59,937.50	609,937.50	669,875.00
December 1, 2032.....	0.00	51,687.50	51,687.50	
June 1, 2033.....	570,000.00	51,687.50	621,687.50	673,375.00
December 1, 2033.....	0.00	43,137.50	43,137.50	
June 1, 2034.....	585,000.00	43,137.50	628,137.50	671,275.00
December 1, 2034.....	0.00	32,900.00	32,900.00	
June 1, 2035.....	605,000.00	32,900.00	637,900.00	670,800.00
December 1, 2035.....	0.00	22,312.50	22,312.50	
June 1, 2036.....	625,000.00	22,312.50	647,312.50	669,625.00
December 1, 2036.....	0.00	11,375.00	11,375.00	
June 1, 2037.....	<u>650,000.00</u>	<u>11,375.00</u>	<u>661,375.00</u>	672,750.00
Totals.....	<u>\$9,780,000.00</u>	<u>\$3,647,567.15</u>	<u>\$13,427,567.15</u>	

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Sources And Uses Of Funds

The sources and uses of funds in connection with the issuance of the 2017 Bonds are estimated to be applied as follows:

Sources:

Par amount of the 2017 Bonds.....	\$ 9,780,000.00
Original issue premium.....	<u>319,427.10</u>
Total	<u>\$10,099,427.10</u>

Uses:

Deposit to Project Construction Fund.....	\$ 9,901,922.93
Successful bidder(s)'s discount.....	100,504.17
Costs of issuance (1).....	<u>97,000.00</u>
Total	<u>\$10,099,427.10</u>

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

SECURITY AND SOURCES OF PAYMENT

The 2017 Bonds are special limited obligations of the City, payable solely from and secured by a pledge of the Pledged Taxes and certain funds and accounts pledged therefor and established by the Indenture. The Pledged Taxes consist of all the revenues produced by the local sales and use tax levied by the City. No assurance can be given that the Pledged Taxes will remain sufficient for the payment of principal of and interest on the 2017 Bonds and the City is limited by State law in its ability to increase the rate of such taxes. See "RISKS INHERENT IN THE OWNERSHIP OF THE 2017 BONDS" above. The 2017 Bonds do not constitute general obligation indebtedness or a pledge of the ad valorem taxing power or full faith and credit of the City, and are not obligations of the State or any other agency or other political subdivision or entity of the State. The City will not mortgage or grant any security interest in any of the improvements financed with the proceeds of the 2017 Bonds to secure payment of the 2017 Bonds.

Upon the occurrence of an Event of Default specified in the Indenture, the Trustee or the Registered Owners of the Bonds may pursue certain remedies to enforce the obligations of the City under the Indenture. These remedies do not include the right to declare all of the principal of and interest on the Bonds to be immediately due and payable. See "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE."

State Pledge of Nonimpairment

In accordance with the provisions of the Local Government Bonding Act, Title 11 Chapter 14, Utah Code Annotated 1953, as amended, the State pledges and agrees with the holders of the Bonds that it will not alter, impair or limit the sales taxes in a manner that reduces the amounts to be rebated to the City which are devoted or pledged for the payment of the 2017 Bonds until the 2017 Bonds, together with applicable interest, are fully met and discharged; provided, however, that nothing shall preclude such alteration, impairment or limitation if and when adequate provision shall be made by law for the protection of the holders of the 2017 Bonds.

The City notes that this provision has not been interpreted by a court of law and, therefore, the extent that such provision would (i) be upheld under constitutional or other legal challenge, (ii) protect the current rates and collection of all Pledged Taxes, or (iii) impact any other aspect of Pledged Taxes, cannot be predicted by the City.

Flow Of Funds

To secure timely payment of the principal of and interest on the 2017 Bonds, the City has pledged and assigned to the Trustee the Pledged Taxes and all moneys in certain funds and accounts established by the Indenture. The Indenture establishes a Revenue Fund, a Bond Fund, and certain other funds and accounts.

See “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—Application of Revenues.”

Pledged Taxes

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

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

Pledged Local Sales and Use Taxes. The Local Sales and Use Tax Act currently provides that each county, city and town in the State may levy a sales and use tax of up to 1% on the purchase price of taxable goods and services. Although local governments may elect to levy sales and use taxes at rates less than 1%, various provisions of the Local Sales and Use Tax Act encourage them to levy these taxes at the rate of 1%. The legislative intent contained in the Local Sales and Use Tax Act is to provide the counties, cities and towns of the State with an added source of revenue to assist them to meet their financial needs and to service their bonded indebtedness. *The City has levied the Pledged Taxes at the maximum legal rate of 1%.*

Local sales and use taxes, including the Pledged Taxes, are collected by the Utah State Tax Commission and distributed on a monthly basis to each county, city and town. The distributions are based on a formula, which provides that (i) 50% of sales tax collections will be distributed on the basis of the percentage of the population of the local government to the total population of all similar local governments in the State and (ii) 50% of sales tax collections will be distributed on the basis of the point of sale (the “50/50 Distribution”). The 50/50 Distribution formula is subject to legislative changes and the term “Minimum Tax Revenue Distribution” (used below) is based on total tax revenues distributed in certain defined Fiscal Years.

Beginning in Fiscal Year 2014 and ending with Fiscal Year 2016, a local government received the Minimum Tax Revenue Distribution for such fiscal year if for Fiscal Year 2013 the 50/50 Distribution was less than or equal to the product of the Minimum Tax Revenue Distribution and 0.9% (for Fiscal Years 2014 through 2016 the “Minimum Tax Revenue Distribution” means the greater of the tax revenue distributions received by the local government in Fiscal Year 2001 or Fiscal Year 2005).

Beginning in Fiscal Year 2017 and ending with Fiscal Year 2021, a local government shall receive a tax distribution equal to the greater of the 50/50 Distribution or the Minimum Tax Revenue Distribution received by the local government in Fiscal Year 2005.

Collections. The following table shows the amount of local sales and use taxes (which constitute the Pledged Taxes) collected and received by the City for the past 10 Fiscal Years.

<u>Fiscal Year Ended June 30</u>	<u>Pledged Taxes (1)</u>	<u>% Increase (Decrease) from Prior Year</u>
2016	\$3,215,928	9.4%
2015	2,939,653	10.8
2014	2,653,278	12.4
2013	2,360,544	9.2
2012	2,162,610	15.0
2011	1,881,168	9.2
2010	1,723,051	15.3
2009	1,495,027	19.9
2008	1,246,985	43.7
2007	868,029	35.4

(1) The Local Sales and Use Taxes constitute the Pledged Taxes.

(Source: The City’s Comprehensive Annual Financial Reports for the respective fiscal years. Compiled by the Municipal Advisor.)

The Larger Sales Taxpayers. State law prohibits disclosure of actual dollar figures of sales and use tax collections by specific businesses. However, in Fiscal Year 2016, the largest 10 businesses collected approximately 22.4% of the total sales tax collected in the City. The largest tax collection by a single business was approximately 11.7%. Those larger sales tax payers include retail sales establishments, utility providers and automotive dealers. (Source: The City from data provided by the Utah State Tax Commission.)

For the City’s taxable sales by category for the past five Calendar Years see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Statistical Section—Taxable Sales by Category” (CAFR page 75).

Other Sales And Use Taxes

Other City–Wide Sales and Use Taxes. As of the date of this OFFICIAL STATEMENT, the City total sales and use tax rate is 6.75% (consisting of 4.70% state sales; 1% local sales (this is the sales and use tax rate pledged to the repayment of the 2017 Bonds); 0.25% county option; 0.25% mass transit; 0.30% mass transit fixed guideway; and 0.25% county airport, highway, public transit.

County–Wide Sales and Use Taxes. Within the City are county–wide sales and use taxes *which are not pledged to the repayment of Bonds*. For example, as of the date of this OFFICIAL STATEMENT, other current county–wide sales tax levies include:

- (i) 0.25% municipal mass transit; (ii) 0.30% mass transit fixed guideway; (iii) 0.25% county airport, highway, public transit; (iv) 2.50% motor vehicle rental; (v) 3.0% tourism short–term leasing; (vi) 4% tourism short–term leasing population; (vii) 1% tourism–restaurant tax; and (viii) \$0.76 monthly per line county telecommunications (\$0.61 E911 emergency; \$0.09 state–wide unified E911; and \$0.06 computer aided).

State–Wide Sales and Use Tax. In addition to the above–described sales and use taxes, the State levies a state–wide sales and use tax, which is currently imposed at a rate of 4.70% of the purchase price of taxable goods and services and 3% on unprepared food and food ingredients. The State also imposes a 2.5% tax on all short–term leases and rentals of motor vehicles (as identified above). For sales of residential energy, the combined rate (of the municipal entity) is reduced by 2.70%.

For the City's presentation of its direct and overlapping sales tax rate for the past 10 Fiscal Years see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Statistical Section—Direct and Overlapping Sales Tax Rate" (CAFR page 77).

No Debt Service Reserve Fund For The 2017 Bonds And Outstanding Parity Bonds

Pursuant to the Indenture, each Series of Bonds, if required, may be secured by a separate subaccount in the Debt Service Reserve Fund as described in the Indenture.

2017 Bonds. There will be no funding of a subaccount of the Debt Service Reserve Fund with respect to the 2017 Bonds.

Outstanding Parity Bonds. No subaccount of the Debt Service Reserve Fund has been required to be funded with respect to the Outstanding Parity Bonds.

Issuance Of Additional Bonds

No additional indebtedness, bonds or notes of the City secured by a pledge of the Revenues senior to the pledge of Revenues for the payment of the Bonds and the Security Instrument Repayment Obligations, if any, authorized under the Indenture shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds and the Security Instrument Issuers. In addition, no Additional Bonds or other indebtedness, bonds or notes of the City payable on a parity with the Bonds authorized by the Indenture out of 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. This paragraph (a) 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; and

(b) A certificate shall be delivered to the Trustee by an Authorized Representative to the effect that the Revenues 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 200% of the sum of (x) the maximum Aggregate Annual Debt Service Requirement on all Bonds and Additional Bonds to be Outstanding following the issuance of the Additional Bonds plus (y) the average annual installments due on all Reserve Instrument Repayment Obligations to be outstanding following the issuance of such Additional Bonds; provided, however, that the Revenue coverage test set forth 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, and (ii) the maximum Aggregate Annual Debt Service for such Additional Bonds does not exceed the then remaining maximum Aggregate Annual Debt Service for the Bonds being refunded; and

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

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

HISTORICAL DEBT SERVICE COVERAGE

The following table shows the past five Fiscal Years of debt service requirements for the Outstanding Parity Bonds, the historical Pledged Taxes received by the City and pledged to the payment of the Bonds and the coverage factor of Pledged Taxes to debt service on the Outstanding Parity Bonds. The City's first issuance of sales tax bonds was in Fiscal Year 2011.

Fiscal Year Ending June 30	Total Debt Service on Out- standing Parity Bonds	Pledged Taxes (1)	Debt Service Coverage (2)
2012	\$288,500	\$2,162,610	7.50
2013	289,300	2,360,544	8.16
2014	289,950	2,653,278	9.15
2015	290,450	2,939,653	10.12
2016	290,800	3,215,928	11.06

- (1) City Comprehensive Annual Financial Report.
(2) Multiple by which Pledged Taxes exceed Total Debt Service.

(Source: Municipal Advisor.)

PROJECTED DEBT SERVICE COVERAGE

Forward Looking Projected Information. The City does not as a matter of course make public projections as to future revenues, income or other results. However, the City prepared the prospective financial information set forth below in the table "Projected Debt Service Coverage" to present projected debt service coverage on the 2017 Bonds assuming there is no increase or decrease in Fiscal Year 2016 Pledged Taxes. The accompanying prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the City management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the City or was prepared by carrying forward historical information to future years. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this OFFICIAL STATEMENT are cautioned not to place undue reliance on the prospective financial information.

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

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

Projected Pledged Taxes And Debt Service Coverage

For purposes of the following debt service coverage table, the amount of Pledged Taxes estimated to be collected for Fiscal Year 2016 is shown for all years during which the 2017 Bonds and the Outstanding Parity Bonds are scheduled to be outstanding.

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Projected Debt Service Coverage

Fiscal Year Ending June 30	The Bonds			Pledged Taxes (1)	Debt Service Cover- age (2)
	2017 Bonds Debt Service	Outstanding Parity Bonds Debt Service	Total Debt Service		
Projected:					
2017.....	\$ 0	\$ 291,000	\$ 291,000	\$3,215,928	11.1 X
2018.....	672,242	291,050	963,292	3,215,928	3.3
2019.....	670,825	289,250	960,075	3,215,928	3.3
2020.....	669,575	292,250	961,825	3,215,928	3.3
2021.....	673,025	289,850	962,875	3,215,928	3.3
2022.....	671,025	292,250	963,275	3,215,928	3.3
2023.....	673,725	290,750	964,475	3,215,928	3.3
2024.....	670,975	289,088	960,063	3,215,928	3.3
2025.....	672,925	290,688	963,613	3,215,928	3.3
2026.....	669,425	291,888	961,313	3,215,928	3.3
2027.....	670,625	292,688	963,313	3,215,928	3.3
2028.....	671,375	293,088	964,463	3,215,928	3.3
2029.....	671,675	293,088	964,763	3,215,928	3.3
2030.....	671,525	292,688	964,213	3,215,928	3.3
2031.....	670,925	291,550	962,475	3,215,928	3.3
2032.....	669,875	-	669,875	3,215,928	4.8
2033.....	673,375	-	673,375	3,215,928	4.8
2034.....	671,275	-	671,275	3,215,928	4.8
2035.....	670,800	-	670,800	3,215,928	4.8
2036.....	669,625	-	669,625	3,215,928	4.8
2037.....	672,750	-	672,750	3,215,928	4.8
Totals.....	<u>\$13,427,567</u>	<u>\$ 4,371,163</u>	<u>\$17,798,730</u>		

(1) Based on collections of Pledged Taxes for Fiscal Year 2016.

(2) Multiple by which Pledged Taxes exceed Total Debt Service.

(Source: Municipal Advisor.)

For the City’s presentation of pledged revenue coverage for the last 10 Fiscal Years see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Statistical Section—Pledged Revenue Coverage” (CAFR page 83).

THE 2017 PROJECT

The 2017 Bonds will be issued for the purpose of financing the acquisition, construction, renovation, equipping and furnishing of a regional park; including baseball diamonds; tennis, basketball, pickle ball, and volleyball courts; concession facilities, restrooms, and related improvements (the “2017 Project”). The land on which the 2017 Project will be located was donated by a local church (25 acres), additionally, the City will be acquiring six acres of land.

Total cost of the 2017 Project is approximately \$10 million. Construction is expected to begin in August 2017 with completion of the 2017 Project in January 2018.

CITY OF SARATOGA SPRINGS, UTAH

General

The City, incorporated in 1997, covers an area of approximately 21 square miles and is located in the northern portion of the County. The City is located approximately 24 miles northwest of the City of Provo, Utah. The City had 25,407 residents according to the 2015 estimate by the U.S. Census Bureau. The City maintains a web site that may be accessed at <http://www.saratogaspringscity.com>.

The County is situated in the north central portion of the State. Incorporated in 1850, the County is bordered on the north by Salt Lake County, Utah and encompasses approximately 2,000 square miles of land. The County had 575,205 residents in 2015 according to the estimates by the U.S. Census Bureau, ranking the County as the second largest populated county in the State. See the location map of the City and County above.

For additional various operating statistical information regarding the City’s fire and police protection; water, sewer, refuse services; parks and recreation; business licenses; and capital assets see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Statistical Section—Operating Indicators by Function Current Year” (CAFR page 87) and “—Capital Assets by Function” (CAFR page 88).

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:

<u>Office</u>	<u>Person</u>	<u>Years of Service</u>	<u>Expiration of Term</u>
Mayor.....	Jim Miller (1)	3	January 2018
Council Member	Chris Porter	1	January 2020
Council Member	Michael D.S. McOmber	7	January 2018
Council Member	Steven Willden	3	January 2018
Council Member	Bud Poduska	9	January 2020
Council Member	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

(1) Prior to being elected Mayor, Mr. Miller served four years as a councilmember.

(Source: The City, compiled by the Municipal Advisor)

Employee Workforce And Retirement System; No Post–Employment Benefits

Employee Workforce and Retirement System. Currently the City employs 156 full–time equivalent employees. The City participates in cost–sharing multiple employer defined benefit pension plans covering public employees of the State and employees of participating local government entities administered by the Utah State Retirement Systems (“URS”). The retirement system provides refunds, retirement benefits, annual cost of living adjustment and death benefits to plan members and beneficiaries in accordance with retirement statutes. The City also participates in a defined contribution savings plans for City employees administered by URS.

For a detailed discussion regarding retirement benefits, contributions and savings plans see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016–Notes to the Financial Statements–Note 6. Retirement Plans” (CAFR page 47) and for a Fiscal Year history of full–time equivalent employees by function see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016–Statistical Section–Full–time Equivalent Employees by Function” (CAFR page 86).

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

Risk Management

The City manages its risks through the purchase commercial insurance policies and a general insurance coverage policy for public entities through the Utah Local Governments Trust (a public entity risk pool). Worker compensation coverage is carried through the Utah Business Insurance Company. As of the date

of this OFFICIAL STATEMENT, all policies are current and in force. The City believes its risk management policies and coverages are normal and within acceptable coverage limits for the type of services the City provides. See “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Notes to the Financial Statements—Note 10. Risk Management” (CAFR page 54).

Investment Of Funds

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

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

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

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

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

See “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Notes to the Financial Statements—Note 2. Deposits and Investments” (CAFR page 43).

Investment of 2017 Bond Proceeds. Certain proceeds of the 2017 Bonds for the 2017 Project will be held by the Trustee and invested so as to be readily available. The 2017 Bond proceeds may also be invested in the PTIF or other available investment funds authorized under the Money Management Act.

Population

The City was incorporated in 1997.

	<u>City</u>	<u>% Change From Prior Period</u>	<u>County</u>	<u>% Change From Prior Period</u>
2015 Census estimate.....	25,407	4.3%	575,205	2.4%
2014 Census estimate.....	24,362	7.2	561,534	1.7
2013 Census estimate.....	22,722	7.6	552,406	2.3
2012 Census estimate.....	21,119	10.8	540,100	1.8
2011 Census estimate.....	19,058	7.2	530,538	2.7
2010 Census	17,781	1,672.8	516,564	40.2
2000 Census	1,003	–	368,536	–

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

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Employment, Income, Construction, And Sales Taxes Within City Of Saratoga Springs, Utah County, And The State Of Utah

Labor Force, Nonfarm Jobs and Wages within Utah County (1)

	Calendar Year						% change from prior year				
	2015	2014	2013	2012	2011	2010	2014-15	2013-14	2012-13	2011-12	2010-11
Civilian labor force (2).....	266,078	255,870	241,401	229,645	221,984	221,315	4.0	6.0	5.1	3.5	0.3
Employed persons.....	257,594	246,942	231,132	217,718	207,313	203,683	4.3	6.8	6.2	5.0	1.8
Unemployed persons.....	8,484	8,928	10,269	11,927	14,671	17,632	(5.0)	(13.1)	(13.9)	(18.7)	(16.8)
Total private sector (ageage).....	192,948	180,028	171,903	162,252	153,981	148,050	7.2	4.7	5.9	5.4	4.0
Agriculture, forestry, fishing and hunting..	1,166	1,159	1,143	1,155	1,052	972	0.6	1.4	(1.0)	9.8	8.2
Mining.....	88	111	103	127	76	56	(20.7)	7.8	(18.9)	67.1	35.7
Utilities.....	289	289	282	299	289	288	0.0	2.5	(5.7)	3.5	0.3
Construction.....	18,587	16,320	14,771	13,385	10,563	9,672	13.9	10.5	10.4	26.7	9.2
Manufacturing.....	17,646	17,773	17,476	16,539	15,827	15,667	(0.7)	1.7	5.7	4.5	1.0
Wholesale trade.....	6,716	6,222	5,611	5,206	4,908	4,885	7.9	10.9	7.8	6.1	0.5
Retail trade.....	28,105	25,411	24,283	23,141	22,474	21,700	10.6	4.6	4.9	3.0	3.6
Transportation and warehousing.....	2,899	2,607	2,416	2,415	2,350	2,174	11.2	7.9	0.0	2.8	8.1
Information.....	11,190	9,995	9,347	8,600	8,019	7,850	12.0	6.9	8.7	7.2	2.2
Finance and insurance.....	4,873	4,499	4,559	4,289	3,904	4,048	8.3	(1.3)	6.3	9.9	(3.6)
Real estate and rental and leasing.....	2,356	2,306	2,254	2,031	1,998	2,016	2.2	2.3	11.0	1.7	(0.9)
Professional, scientific and technical.....	16,409	15,217	13,847	12,634	12,004	11,083	7.8	9.9	9.6	5.2	8.3
Management of companies/enterprises.....	1,191	1,239	1,059	1,128	1,154	1,146	(3.9)	17.0	(6.1)	(2.3)	0.7
Administrative/support/waste/redediation..	12,299	11,159	11,015	10,913	10,244	9,288	10.2	1.3	0.9	6.5	10.3
Education services.....	23,096	22,575	22,481	22,361	21,565	21,073	2.3	0.4	0.5	3.7	2.3
Health care and social assistance.....	24,316	22,958	22,136	20,780	20,181	19,266	5.9	3.7	6.5	3.0	4.7
Arts, entertainment and recreation.....	2,166	1,833	1,761	1,988	1,857	1,646	18.2	4.1	(11.4)	7.1	12.8
Accommodation and food services.....	15,799	14,793	13,934	12,979	12,294	11,995	6.8	6.2	7.4	5.6	2.5
Other services.....	4,913	4,710	4,564	4,368	4,268	4,186	4.3	3.2	4.5	2.3	2.0
Unclassified establishments.....	0	1	8	10	9	12	(100.0)	(87.5)	(20.0)	11.1	(25.0)
Total public sector (ageage).....	29,289	28,809	28,251	27,859	27,076	26,590	1.7	2.0	1.4	2.9	1.8
Federal.....	919	903	917	949	971	1,177	1.8	(1.5)	(3.4)	(2.3)	(17.5)
State.....	8,439	8,213	8,111	7,804	7,224	678	2.8	1.3	3.9	8.0	965.5
Local.....	19,931	19,693	19,223	19,107	18,882	18,635	1.2	2.4	0.6	1.2	1.3
Total payroll (in \$1,000's) (3).....	\$ 8,779,965	\$ 7,936,307	\$ 7,464,442	\$ 6,973,813	\$ 6,439,039	\$ 6,051,905	10.6	6.3	7.0	8.3	6.4
Average monthly wage.....	\$ 3,292	\$ 3,167	\$ 3,108	\$ 3,057	\$ 3,964	\$ 2,888	3.9	1.9	1.7	(22.9)	37.3
Average employment.....	222,236	208,836	200,154	190,111	181,056	174,639	6.4	4.3	5.3	5.0	3.7
Establishments.....	14,298	13,687	13,246	12,500	12,232	12,120	4.5	3.3	6.0	2.2	0.9

(1) Utah Department of Workforce Services.

(2) Information as of 3rd quarter 2015.

(3) Annual Average, all years.

Employment, Income, Construction, And Sales Taxes Within Utah County, City Of Saratoga Springs, And The State Of Utah—continued

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

	Calendar Year						% change from prior year				
	2015	2014	2013	2012	2011	2010	2014–15	2013–14	2012–13	2011–12	2010–11
Total Personal Income (in \$1,000's):											
Utah County.....	\$ 19,719,517	\$ 18,105,125	\$ 17,259,931	\$ 16,660,323	\$ 15,385,049	\$ 14,257,749	8.9	4.9	3.6	8.3	7.9
State of Utah.....	117,763,901	110,841,885	106,072,574	102,772,080	96,888,550	90,483,243	6.2	4.5	3.2	6.1	7.1
Total Per Capita Personal Income:											
Utah County.....	\$ 34,283	\$ 32,274	\$ 31,272	\$ 30,875	\$ 29,025	\$ 27,441	6.2	3.2	1.3	6.4	5.8
State of Utah.....	39,308	37,664	36,542	35,995	34,415	32,614	4.4	3.1	1.5	4.6	5.5
Median Household Income:											
Utah County.....	\$ 65,425	\$ 60,957	\$ 60,069	\$ 58,167	\$ 58,077	\$ 54,385	7.3	1.5	3.3	0.2	6.8
State of Utah.....	62,961	60,943	57,067	55,802	54,740	55,183	3.3	6.8	2.3	1.9	(0.8)

Construction within City of Saratoga Springs (2)

	Calendar Year						% change from prior year				
	2016	2015	2014	2013	2012	2011	2015–16	2014–15	2013–14	2012–13	2011–12
Number new dwelling units.....	800.0	357.0	273.0	353.0	288.0	428.0	124.1	30.8	(22.7)	22.6	(32.7)
New (in \$1,000's):											
Residential value.....	\$ 152,348.7	\$ 77,711.6	\$ 52,377.1	\$ 56,109.3	\$ 43,012.2	\$ 44,371.7	96.0	48.4	(6.7)	30.4	(3.1)
Non-residential value.....	26,701.0	17,673.4	2,581.1	5,281.0	14,011.9	2,479.3	51.1	584.7	(51.1)	(62.3)	465.2
Additions, alterations, repairs (in \$1,000's):											
Residential value.....	4,332.7	6,015.2	2,973.5	1,672.5	812.5	842.2	(28.0)	102.3	77.8	105.8	(3.5)
Non-residential value.....	661.0	1,578.0	444.7	2,077.0	760.0	390.0	(58.1)	254.8	(78.6)	173.3	94.9
Total construction value (in \$1,000's).....	\$ 184,043.4	\$ 102,978.2	\$ 58,376.4	\$ 65,139.8	\$ 58,596.6	\$ 48,083.2	78.7	76.4	(10.4)	11.2	21.9

Sales Taxes Within City of Saratoga Springs, Utah County and the State of Utah (3)

	Calendar Year						% change from prior year				
	2015	2014	2013	2012	2011	2010	2014–15	2013–14	2012–13	2011–12	2010–11
Gross Taxable Sales (in \$1,000's):											
Utah County.....	\$ 8,151,076	\$ 7,555,120	\$ 7,186,924	\$ 6,886,070	\$ 6,264,356	\$ 5,784,838	7.9	5.1	4.4	9.9	8.3
City of Saratoga Springs.....	192,497	176,039	169,269	153,754	141,949	122,050	9.3	4.0	10.1	8.3	16.3
State of Utah.....	51,709,162	51,709,162	49,404,045	47,531,179	44,097,026	41,387,390	0.0	4.7	3.9	7.8	6.5
	Fiscal Year						% change from prior year				
	2015	2014	2013	2012	2011	2010	2014–15	2013–14	2012–13	2011–12	2010–11
Local Sales and Use Tax Distribution:											
Utah County (and all cities).....	\$ 86,391,946	\$ 81,280,075	\$ 77,867,042	\$ 72,132,139	\$ 67,482,710	\$ 65,020,669	6.3	4.4	8.0	6.9	3.8
City of Saratoga Springs.....	28,892,052	2,630,729	2,312,248	2,122,120	1,829,267	1,708,246	998.3	13.8	9.0	16.0	7.1

(1) U.S. Department of Commerce; Bureau of Economic Analysis and U.S. Census Bureau.
 (2) University of Utah Bureau of Economic and Business Research, Utah Construction Report.
 (3) Utah State Tax Commission.

Largest Employers In The City And County

The following is a list of the largest employers in the City and County.

<u>Firm (location)</u>	<u>Business</u>	<u>Employees</u>
Major Employers in the City		
Alpine School District (Saratoga Springs only).....	Education services	450–950
WalMart Super Center	Retail trade	250–500
Lakeview Academy of Science and Arts	Education services	100–250
Saratoga Springs City.....	City administration	100–250
Smith’s Food & Drug.....	Retail trade	100–250
Dean Fluor, LLC.....	Other services	50–100
McDonald’s.....	Accommodation and food service	50–100
Riding Siding	Construction	50–100
Major Employers in the County		
Brigham Young University (Provo).....	Education services	15,000–22,000
Alpine School District (northern county-wide)	Education services	4,745–10,150
Utah Valley Regional Medical Center (Provo)	Health care and social assistance	3,000–4,000
Utah Valley University (Orem).....	Education services	3,000–4,000
Vivint, Inc. (county-wide)	Construction	3,000–4,000
Nebo School District (Spanish Fork)	Education services	2,320–4,970
Wal-Mart (county-wide).....	Retail trade	1,750–3,500
Adobe Systems Incorporated (Lehi)	Information	1,000–2,000
IM Flash Technologies (Lehi).....	Manufacturing	1,000–2,000
Nestle Prepared Foods (Springville)	Manufacturing	1,000–2,000
Nexeo Staffing, LLC (Orem).....	Admin., support, waste mgmt., remediation.	1,000–2,000
Utah Valley University (Orem).....	Education services	1,000–2,000
Ancestry.com (Provo)	Retail trade	650–1,350
Smith’s Food and Drug (county-wide).....	Retail trade	550–1,250
Alpine Building LLC (Pleasant Grove)	Construction	500–1,000
American Fork Hospital (American Fork).....	Health care and social assistance	500–1,000
Bluehost.com (Orem).....	Information	500–1,000
Central Utah Medical Clinic (Provo)	Health care and social assistance	500–1,000
Chrysalis Utah, Inc. (Provo).....	Health care and social assistance	500–1,000
Citizens Telecommunication (Provo).....	Information	500–1,000
Domo, Inc. (American Fork).....	Information	500–1,000
Entrata, Inc. (Lehi)	Information	500–1,000
NuSkin International Inc. (Provo).....	Wholesale trade	500–1,000
Qualtrics, LLC (Provo)	Professional, scientific, & technical svcs.	500–1,000
RBD Acquisition Sub, Inc. (Provo)	Admin., support, waste mgmt., remediation	500–1,000
SolutionReach, Inc. (Lehi)	Professional, scientific, & technical svc.	500–1,000
Sundance Resort.....	Accommodation and food services	500–1,000
Timpanogos Regional Medical Service (Orem).....	Health care and social assistance	500–1,000
Utah State Development Center (American Fork).....	Health care and social assistance	500–1,000
Utah State Hospital (Provo)	Health care and social assistance	500–1,000
Xactware Solutions, Inc. (Lehi)	Professional, scientific, & technical svc.	500–1,000
Young Living Essential Oils (Lehi)	Retail trade	500–1,000
Young Living Essential Oils (Lehi)	Transportation and warehousing	500–1,000

(Source: Utah Department of Workforce Services. Updated September 2016, reflecting information as of March 2016. Compiled by the Municipal Advisor.)

For additional demographic, economic, and principal employers as of the City’s historical Fiscal Years see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Statistical Section—Demographic and Economic Indicators Last Ten Fiscal Years” (CAFR page 84) and “—Principal Employers—Current Year and Seven Years Ago” (CAFR page 85).

Rate Of Unemployment—Annual Average

<u>Year</u>	<u>Utah County</u>	<u>State of Utah</u>	<u>United States</u>
2016	3.2%	3.5%	4.9%
2015	3.2	3.5	5.3
2014	3.5	3.8	6.2
2013	4.2	4.6	7.4
2012	5.0	5.4	8.1

(Source: Utah Department of Workforce Services. Compiled by the Municipal Advisor.)

DEBT STRUCTURE OF THE CITY OF SARATOGA SPRINGS, UTAH

Outstanding Sales Tax Revenue Bonded Indebtedness

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Outstanding</u>
2017 (1) (2)	Regional park	\$9,780,000	June 1, 2037	\$ 9,780,000
2011 (2).....	Various	4,000,000	June 1, 2031	<u>3,250,000</u>
Total				<u>\$13,030,000</u>

- (1) For purposes of this OFFICIAL STATEMENT, the 2017 Bonds will be considered issued and outstanding.
- (2) Rated “AA” by S&P as of the date of this OFFICIAL STATEMENT.

(Source: Municipal Advisor.)

Outstanding Water Revenue Bond Indebtedness

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Outstanding</u>
2016 (1).....	Water improvements	\$9,710,000	December 1, 2036	\$ 9,710,000
2014 (1).....	Improvements/refunding	9,995,000	December 1, 2033	<u>9,575,000</u>
Total				<u>\$19,285,000</u>

- (1) Rated “AA” (Assured Guaranty Municipal Corp. insured; underlying “A”) by S&P as of the date of this OFFICIAL STATEMENT.

(Source: Municipal Advisor.)

Outstanding Special Assessment Bonds

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Outstanding</u>
2016 (1).....	Land development	\$5,300,000	February 1, 2027	\$5,300,000
2012 (1).....	Refunding	3,114,374	April 1, 2029	<u>1,837,000</u>
Total				<u>\$7,137,000</u>

(1) Not rated, no rating applied for. These bonds were directly purchased.

(Source: Municipal Advisor.)

See APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Notes to the Financial Statements—Note 12. Long-Term Debt” (CAFR page 55).

Other Financial Considerations

Future issuance of debt. Other than the issuance of the 2017 Bonds (and any refunding opportunities) the City does not anticipate the issuance of any other bond secured by Pledged Taxes within the next three years.

Other Financial Considerations. As of Fiscal Year 2016, the City has a note outstanding in the amount of \$11,526,540 which is paid from revenues collected from water revenue impact fees. See APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Notes to the Financial Statements—Note 12. Long-Term Debt—C. Note Payable” (CAFR page 57).

Additionally, the City has also entered into various agreements for financing its capital equipment needs. As of Fiscal Year 2016, the present value of the minimum lease payments of the City’s capital leases totals \$222,566, with annual payments scheduled through Fiscal Year 2020. See APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Notes to the Financial Statements—Note 11. Leases” (CAFR page 55).

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

Fiscal Year Ending June 30	Series 2017 \$9,780,000		Series 2011 \$4,000,000		Totals		
	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Debt Service
2016.....	\$ 0	\$ 0	\$ 160,000	\$ 130,800	\$ 160,000	\$ 130,800	\$ 290,800
2017.....	0	0	165,000	126,000	165,000	126,000	291,000
2018.....	330,000	342,242	170,000	121,050	500,000	463,292	963,292
2019.....	375,000	295,825	175,000	114,250	550,000	410,075	960,075
2020.....	385,000	284,575	185,000	107,250	570,000	391,825	961,825
2021.....	400,000	273,025	190,000	99,850	590,000	372,875	962,875
2022.....	410,000	261,025	200,000 (1)	92,250	610,000	353,275	963,275
2023.....	425,000	248,725	205,000 (1)	85,750	630,000	334,475	964,475
2024.....	435,000	235,975	210,000 (2)	79,088	645,000	315,063	960,063
2025.....	450,000	222,925	220,000 (2)	70,688	670,000	293,613	963,613
2026.....	460,000	209,425	230,000 (3)	61,888	690,000	271,313	961,313
2027.....	475,000	195,625	240,000 (3)	52,688	715,000	248,313	963,313
2028.....	490,000	181,375	250,000 (4)	43,088	740,000	224,463	964,463
2029.....	505,000	166,675	260,000 (4)	33,088	765,000	199,763	964,763
2030.....	520,000	151,525	270,000 (5)	22,688	790,000	174,213	964,213
2031.....	535,000	135,925	280,000 (5)	11,550	815,000	147,475	962,475
2032.....	550,000	119,875	—	—	550,000	119,875	669,875
2033.....	570,000	103,375	—	—	570,000	103,375	673,375
2034.....	585,000	86,275	—	—	585,000	86,275	671,275
2035.....	605,000	65,800	—	—	605,000	65,800	670,800
2036.....	625,000	44,625	—	—	625,000	44,625	669,625
2037.....	650,000	22,750	—	—	650,000	22,750	672,750
Totals.....	<u>\$ 9,780,000</u>	<u>\$ 3,647,567</u>	<u>\$ 3,410,000</u>	<u>\$ 1,251,963</u>	<u>\$ 13,190,000</u>	<u>\$ 4,899,530</u>	<u>\$ 18,089,530</u>

- (1) Mandatory sinking fund principal payments from a \$405,000 3.25% Term Bond due June 1, 2023.
- (2) Mandatory sinking fund principal payments from a \$430,000 4.00% Term Bond due June 1, 2025.
- (3) Mandatory sinking fund principal payments from a \$470,000 4.00% Term Bond due June 1, 2027.
- (4) Mandatory sinking fund principal payments from a \$510,000 4.00% Term Bond due June 1, 2029.
- (5) Mandatory sinking fund principal payments from a \$550,000 4.125% Term Bond due June 1, 2031.

Debt Service Schedule of Outstanding Water Revenue Bonds By Fiscal Year

Fiscal Year Ending June 30	Series 2016 \$9,710,000		Series 2014 \$9,995,000		Totals		
	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Debt Service
	2016.....	\$ 0	\$ 0	\$ 420,000	\$ 272,425	\$ 420,000	\$ 272,425
2017.....	0	166,110	430,000	263,925	430,000	430,035	860,035
2018.....	155,000	314,850	435,000	255,275	590,000	570,125	1,160,125
2019.....	240,000	310,900	445,000	246,475	685,000	557,375	1,242,375
2020.....	380,000	304,700	455,000	237,475	835,000	542,175	1,377,175
2021.....	385,000	297,050	465,000	228,275	850,000	525,325	1,375,325
2022.....	395,000	287,275	475,000	218,875	870,000	506,150	1,376,150
2023.....	410,000	275,200	485,000	208,063	895,000	483,263	1,378,263
2024.....	425,000	258,425	495,000	195,813	920,000	454,238	1,374,238
2025.....	445,000	236,675	510,000	181,975	955,000	418,650	1,373,650
2026.....	470,000	213,800	525,000	166,450	995,000	380,250	1,375,250
2027.....	495,000	189,675	540,000	150,475	1,035,000	340,150	1,375,150
2028.....	515,000	169,575	560,000	133,975	1,075,000	303,550	1,378,550
2029.....	530,000	153,900	575,000	116,950	1,105,000	270,850	1,375,850
2030.....	545,000	137,775	595,000	99,400	1,140,000	237,175	1,377,175
2031.....	565,000 (1)	121,125	615,000	79,713	1,180,000	200,838	1,380,838
2032.....	580,000 (1)	103,950	635,000	57,838	1,215,000	161,788	1,376,788
2033.....	595,000	86,325	655,000	35,263	1,250,000	121,588	1,371,588
2034.....	615,000	68,175	680,000	11,900	1,295,000	80,075	1,375,075
2035.....	635,000	49,425	–	–	635,000	49,425	684,425
2036.....	655,000	30,075	–	–	655,000	30,075	685,075
2037.....	675,000	10,125	–	–	675,000	10,125	685,125
Totals.....	<u>\$9,710,000</u>	<u>\$3,785,110</u>	<u>\$9,995,000</u>	<u>\$3,160,538</u>	<u>\$19,705,000</u>	<u>\$ 6,945,648</u>	<u>\$26,650,648</u>

(1) Represents mandatory sinking fund payments on a term bond maturing on December 1, 2031.

Debt Service Schedule of Outstanding Special Assessment Bonds By Fiscal Year

Fiscal Year Ending June 30	Series 2016 \$5,300,000		Series 2012 \$3,114,374 (1)		Totals		
	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Debt Service
2016.....	\$ 0	\$ 0	\$ 162,000	\$ 80,583	\$ 162,000	\$ 80,583	\$ 242,583
2017.....	0	0	164,000	78,396	164,000	78,396	242,396
2018.....	422,000	261,039	167,000	75,919	589,000	336,958	925,958
2019.....	462,000	226,460	169,000	72,997	631,000	299,457	930,457
2020.....	477,000	211,445	173,000	69,769	650,000	281,214	931,214
2021.....	493,000	194,750	176,000	65,876	669,000	260,626	929,626
2022.....	512,000	176,263	181,000	61,652	693,000	237,915	930,915
2023.....	532,000	155,783	185,000	56,729	717,000	212,512	929,512
2024.....	556,000	132,375	191,000	51,364	747,000	183,739	930,739
2025.....	583,000	104,853	197,000	45,061	780,000	149,914	929,914
2026.....	614,000	74,245	205,000	37,477	819,000	111,722	930,722
2027.....	649,000	38,940	214,000	28,969	863,000	67,909	930,909
2028.....	–	–	222,000	19,981	222,000	19,981	241,981
2029.....	–	–	232,000	10,324	232,000	10,324	242,324
Totals.....	<u>\$5,300,000</u>	<u>\$1,576,151</u>	<u>\$2,638,000</u>	<u>\$ 755,095</u>	<u>\$7,938,000</u>	<u>\$ 2,331,247</u>	<u>\$10,269,247</u>

Overlapping And Underlying General Obligation Debt

Taxing Entity	2016 Taxable Value (1)	City's Portion of Tax- able Value	City's Per- centage	Entity's General Obligation Debt	City's Portion of G.O. Debt
<i>Overlapping:</i>					
State of Utah	\$240,124,539,695	\$1,301,680,175	0.54%	\$2,173,985,000	\$11,739,519
CUWCD (2)	141,171,178,097	1,301,680,175	0.92	229,525,000	2,111,630
Alpine School Dist... ..	22,241,620,588	1,301,680,175	5.85	486,215,000	<u>28,443,578</u>
Total overlapping					<u>42,294,727</u>
<i>Underlying:</i>					
Total underlying					<u>0</u>
Total overlapping and underlying general obligation debt					<u>\$42,294,727</u>
Total <i>overlapping</i> general obligation debt (excluding the State) (3)					\$30,555,208
Total <i>direct</i> general obligation bonded indebtedness.....					<u>0</u>
Total <i>direct and overlapping</i> general obligation debt (excluding the State) (3).....					<u>\$30,555,208</u>

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

- (1) Preliminary; subject to change. Taxable value used in this table *excludes* the taxable value used to determine uniform fees on tangible personal property. See “FINANCIAL INFORMATION REGARDING THE CITY OF SARATOGA SPRINGS, UTAH—Taxable, Fair Market And Market Value Of Property” below.
- (2) Central Utah Water Conservancy District (“CUWCD”) outstanding general obligation bonds include certain repayment obligations to the United States and limited ad valorem tax bonds. By law CUWCD may levy a tax rate of up to 0.000400 to pay for operation and maintenance expenses and any outstanding limited ad valorem tax bonds, plus an additional 0.000100 tax levy if necessary to enable CUWCD to punctually pay its general obligation indebtedness.
- (3) The State’s general obligation debt is not included in overlapping debt because the State currently levies no property tax for payment of its general obligation bonds.

(Source: Municipal Advisor.)

For the City’s presentation regarding direct and overlapping debt as of Fiscal Year 2016 see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Statistical Section—Direct and Overlapping Governmental Activities Debt as of June 30 2016” (CAFR page 82).

Debt Ratios Of General Obligation Debt

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

	To 2016 Estimated Taxable Value (1)	To 2016 Estimated Market Value (2)	To 2015 Population Estimate Per Capita (3)
Direct general obligation debt.....	0.00%	0.00%	\$ 0
Direct and overlapping general obligation debt.....	2.35	1.44	1,203

- (1) Based on an estimated 2016 Taxable Value of \$1,301,680,175, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (2) Based on an estimated 2016 Market Value of \$2,120,313,037, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (3) Based on the 2015 U.S. Census Bureau estimated population of 25,407.

(Source: Municipal Advisor.)

General Obligation Legal Debt Limit And Additional Debt Incurring Capacity

The general obligation indebtedness of the City is limited by State law to 12% of the fair market value of taxable property in the City (4% for general purposes and an additional 8% for sewer, water and electric purposes) as computed from the last equalized assessment rolls for State or County purposes prior to incurring the debt. The legal debt limit and additional debt incurring capacity of the City are based on the estimated fair market value for 2016 and the calculated valuation value from 2015 uniform fees, and are calculated as follows:

Estimated 2016 "Fair Market Value"			\$2,120,313,037
2015 Valuation from Uniform Fees (1)			<u>15,640,297</u>
Estimated 2016 "Fair Market Value for Debt Incurring Capacity".....			<u>\$2,135,953,334</u>
	8% Sewer, Water and Electric	4% Other Purposes	12% Total
"Fair Market Value" x .08	\$170,876,267	\$ 0	\$170,876,267
"Fair Market Value" x .04	<u>0</u>	<u>85,438,133</u>	<u>85,438,133</u>
Total Debt Incurring Capacity.....	170,876,267	85,438,133	256,314,400
Less: Current Outstanding General Obligation Debt	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>
Additional Debt Incurring Capacity.....	<u>\$170,876,267</u>	<u>\$85,438,133</u>	<u>\$256,314,400</u>

- (1) Preliminary; subject to change. Final 2016 information is not available. For debt incurring capacity only, in computing the fair market value of taxable property in the City, the value of all motor vehicles and state-assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) will be included as a part of the fair market value of the taxable property in the City.

(Source: Municipal Advisor.)

For a 10-year Fiscal Year history of the City's presentation of general obligation legal debt capacity see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Statistical Section—Legal Debt Margin Information Last Ten Fiscal Years" (CAFR page 81).

No Defaulted Obligations

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

FINANCIAL INFORMATION REGARDING THE CITY OF SARATOGA SPRINGS, UTAH

Fund Structure; Accounting Basis

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

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

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

Budget And 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 fiscal year commencing July 1. Various actual and estimated budget data are required to be set forth in the tentative budgets. The budget officer and mayor may revise the budget requests submitted by the heads of City departments, these submissions with the City Council together with the tentative budget. The budget officer is required to estimate in the tentative budget the revenue from non-property tax sources available for each fund and the revenue from general property taxes required by each fund. The tentative budget is then tentatively adopted by the City Council, with any amendments or revisions that the City Council deems advisable prior to the public hearing on the tentative budget. After public notice and hearing, the tentative budget is adopted by the City Council, subject to further amendment or revisions by the City Council prior to adoption of the final budget.

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

the total amount of estimated revenue from property taxes constitutes the basis for determining the property tax levy to be set by the City Council for the succeeding tax year.

Financial Controls

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

Sources Of General Fund Revenues

Set forth below are brief descriptions of the various sources of revenues available to the City's general fund. The percentage of total general fund revenues represented by each source is based on the City's Fiscal Year 2016 period (total general fund revenues was \$14,366,951).

Taxes—Approximately 49.7% (or \$7,141,996) of general fund revenues are from taxes.

Charges for Services—Approximately 28.7% (or \$4,120,343) of general fund revenues are from charges for services.

Licenses and Permits—Approximately 8.6% (or \$1,231,004) of general fund revenues are collected from licenses and permits.

Intergovernmental Revenue—Approximately 7.8% (or \$1,114,882) of general fund revenues are from State and federal shared grant revenues or grants.

Fines and Forfeitures—Approximately 3.6% (or \$514,587) of general fund revenues are from fines and forfeitures.

Investment Earnings—Less than 1% (or \$137,752) of general fund revenues are collected from licenses and permits.

Other—Less than 1% (or \$106,387) of general fund revenues are collected from other or miscellaneous items.

Additional Information. For a 10-year Fiscal Year history of the City's general governmental total revenues by source see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Statistical Section—General Activities Tax Revenues by Source Last Ten Fiscal Years" (CAFR page 72).

Five-Year Financial Summaries

The summaries contained herein were extracted from the City's Comprehensive Annual Financial Report of the City for Fiscal Years 2012 through 2016. The summaries have not been audited. See APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016."

City of Saratoga Springs, Utah

Statement of Net Position

(This summary has not been audited)

	As of June 30				
	2016	2015	2014	2013	2012
Assets:					
Cash and cash equivalents.....	\$ 39,461,737	\$ 28,510,379	\$ 24,177,117	\$ 23,064,986	\$ 17,181,142
Due from other funds.....	4,083,136	4,766,668	1,661,426	296,275	-
Cash-restricted.....	2,787,320	2,814,571	646,003	675,132	2,585,041
Due from other governmental units.....	2,396,502	2,187,081	2,010,708	1,899,270	-
Accounts receivable-net.....	1,739,455	2,867,139	1,644,369	1,461,995	3,541,742
Inventory.....	18,477	36,955	55,429	73,906	-
Net pension asset.....	6,995	43,059	-	-	-
Prepaid expenses.....	-	-	737	6,277	-
Prepaid and inventories.....	-	-	-	-	100,010
Deferred charges.....	-	-	-	-	259,288
Capital assets not being depreciated:					
Land.....	20,201,852	20,201,852	18,720,913	18,402,042	18,365,122
Water rights.....	15,720,925	15,699,164	15,231,188	14,998,026	14,792,562
Construction work in progress.....	418,799	3,094,850	4,939,031	1,353,103	5,354,590
Capital assets net of accumulated depreciation:					
Infrastructure.....	250,969,315	211,173,428	196,003,552	188,778,637	131,631,426
Equipment.....	6,797,009	6,392,805	5,923,760	4,624,092	1,166,402
Buildings and improvements.....	6,059,984	6,059,984	6,059,984	6,059,984	10,846,740
Accumulated depreciation.....	(83,170,861)	(73,922,839)	(65,265,480)	(56,971,580)	-
Net capital assets.....	<u>216,997,023</u>	<u>188,699,244</u>	<u>181,612,948</u>	<u>177,244,304</u>	<u>182,156,842</u>
Total assets.....	<u>267,490,645</u>	<u>229,925,096</u>	<u>211,808,737</u>	<u>204,722,145</u>	<u>205,824,065</u>
Deferred outflows of resources:					
Pensions.....	1,489,687	503,540	-	-	-
Total deferred outflows of resources.....	<u>1,489,687</u>	<u>503,540</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows.....	<u>\$268,980,332</u>	<u>\$230,428,636</u>	<u>\$211,808,737</u>	<u>\$204,722,145</u>	<u>\$205,824,065</u>
Liabilities:					
Noncurrent liabilities:					
Due in more than one year.....	\$ 24,787,422	\$ 26,696,981	\$ 22,264,127	\$ 24,291,768	\$ 25,954,172
Due within one year.....	2,152,177	2,176,142	1,994,591	1,814,575	2,360,927
Deposits payable.....	8,418,144	3,044,350	2,264,122	486,007	527,446
Due to other funds.....	4,083,136	4,766,668	1,661,426	296,275	-
Accounts payable.....	2,667,915	2,432,336	1,552,848	1,300,322	805,665
Net pension liability.....	2,255,727	1,719,308	-	-	-
Accrued liabilities.....	335,642	304,689	275,886	255,085	-
Accrued interest payable.....	-	-	-	-	107,250
Total liabilities.....	<u>44,700,163</u>	<u>41,140,474</u>	<u>30,013,000</u>	<u>28,444,032</u>	<u>29,755,460</u>
Deferred inflows of resources:					
Pensions.....	340,125	301,724	-	-	-
Total deferred inflows of resources.....	<u>340,125</u>	<u>301,724</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position:					
Net investment in capital assets.....	193,373,237	160,347,239	158,256,666	151,638,821	157,391,314
Unrestricted.....	30,566,807	25,824,628	23,443,384	24,038,701	5,707,321
Restricted for bond proceeds.....	-	2,814,571	-	-	-
Restricted for roads.....	-	-	95,687	600,591	-
Restricted for capital improvements.....	-	-	-	-	12,659,025
Restricted for debt service.....	-	-	-	-	310,945
Total net position.....	<u>223,940,044</u>	<u>188,986,438</u>	<u>181,795,737</u>	<u>176,278,113</u>	<u>176,068,605</u>
Total liabilities, deferred inflows and net position..	<u>\$268,980,332</u>	<u>\$230,428,636</u>	<u>\$211,808,737</u>	<u>\$204,722,145</u>	<u>\$205,824,065</u>

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

City of Saratoga Springs, Utah

Statement of Activities (1)

(This summary has not been audited)

	Net (Expense) Revenue and Changes in Net Position				
	Fiscal Year Ended June 30				
	2016	2015	2014	2013	2012
Primary government:					
Governmental activities:					
Highways and public works.....	\$ 6,539,412	\$ (2,126,016)	\$ 1,065,935	\$ (2,720,762)	\$ (1,084,966)
General government.....	2,522,888	1,282,473	606,379	1,472,860	1,550,057
Parks and recreation.....	532,041	410,823	(1,983,133)	(1,440,410)	(312,611)
Interest expense on long-term debt.....	(133,171)	(137,882)	(142,332)	(146,800)	(157,437)
Public safety.....	(4,469,108)	(4,026,011)	(3,917,073)	(3,920,989)	(2,688,702)
Total governmental activities.....	<u>4,992,062</u>	<u>(4,596,613)</u>	<u>(4,370,224)</u>	<u>(6,756,101)</u>	<u>(2,693,659)</u>
Business-type activities:					
Water utility.....	17,806,514	2,646,149	2,505,911	1,052,394	2,482,233
Sewer utility.....	2,830,640	1,303,683	375,449	(159,532)	369,767
Storm drain utility.....	1,780,709	3,036,343	577,961	(52,103)	78,312
Garbage utility.....	(98,748)	5,124	(134,040)	73,399	52,083
Total business-type activities.....	<u>22,319,115</u>	<u>6,991,299</u>	<u>3,325,281</u>	<u>914,158</u>	<u>2,982,395</u>
Total primary government.....	<u>27,311,177</u>	<u>2,394,686</u>	<u>(1,044,943)</u>	<u>(5,841,943)</u>	<u>288,736</u>
General revenues:					
General sales and use tax.....	3,215,928	2,939,653	2,653,278	2,360,544	2,162,610
Property taxes.....	2,969,689	2,844,496	2,686,613	2,659,844	4,149,276
Energy tax.....	953,656	877,695	870,992	793,113	212,494
Investment earnings.....	282,971	199,005	130,599	134,901	130,576
Franchise tax.....	212,144	207,142	221,085	199,838	655,845
Gain (loss) on sale of assets.....	8,043	15,799	-	51,352	-
Total general revenues and transfers.....	<u>7,642,431</u>	<u>7,083,790</u>	<u>6,562,567</u>	<u>6,199,592</u>	<u>7,310,801</u>
Change in net position.....	34,953,608	9,478,476	5,517,624	357,649	7,599,537
Net position—beginning, restated.....	188,986,437	179,507,962	176,278,113	175,920,464	168,469,068
Net position—ending.....	<u>\$223,940,045</u>	<u>\$188,986,438</u>	<u>\$181,795,737</u>	<u>\$176,278,113</u>	<u>\$176,068,605</u>

(1 This report is presented in summary format concerning the single item of “Net (Expense) Revenue and Changes in Net Position” and is not intended to be complete. For a detailed itemized report see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016.”

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

City of Saratoga Springs, Utah

Balance Sheet—Governmental Funds

General Fund

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2016	2015	2014	2013	2012
Assets					
Cash and cash equivalents.....	\$ 11,049,700	\$ 5,731,127	\$ 4,236,250	\$ 2,459,777	\$ 2,300,672
Due from other governmental units.....	2,396,502	2,187,081	2,010,708	1,899,270	-
Accounts receivables (net).....	737,177	813,167	757,461	853,589	2,594,432
Due from other funds.....	296,275	296,275	296,275	296,275	366,700
Prepays.....	-	-	737	6,277	7,628
Restricted cash and investments.....	-	-	-	-	120,661
Total assets.....	<u>\$ 14,479,654</u>	<u>\$ 9,027,650</u>	<u>\$ 7,301,431</u>	<u>\$ 5,515,188</u>	<u>\$ 5,390,093</u>
Liabilities:					
Deposits payable.....	\$ 8,282,306	\$ 2,928,956	\$ 2,134,622	\$ 298,466	\$ 109,087
Accounts payable.....	578,014	384,585	547,584	61,453	309,470
Accrued liabilities.....	304,526	272,800	178,517	140,784	-
Due to other funds.....	149,461	265,152	265,151	-	-
Unearned revenue.....	-	-	-	-	1,874,084
Total liabilities.....	<u>9,314,307</u>	<u>3,851,493</u>	<u>3,125,874</u>	<u>500,703</u>	<u>2,292,641</u>
Deferred inflows of resources:					
Unavailable revenue—property taxes.....	2,396,502	2,187,081	2,010,708	1,899,270	-
Total deferred inflows of resources.....	<u>2,396,502</u>	<u>2,187,081</u>	<u>2,010,708</u>	<u>1,899,270</u>	<u>-</u>
Fund balances:					
Unassigned fund balance.....	2,768,845	2,989,076	2,068,425	2,508,347	2,478,911
Restricted for roads.....	-	-	95,687	600,591	610,913
Nonspendable prepaid expenditures.....	-	-	737	6,277	7,628
Total fund balances.....	<u>2,768,845</u>	<u>2,989,076</u>	<u>2,164,849</u>	<u>3,115,215</u>	<u>3,097,452</u>
Total liabilities, deferred inflows and fund balances.....	<u>\$ 14,479,654</u>	<u>\$ 9,027,650</u>	<u>\$ 7,301,431</u>	<u>\$ 5,515,188</u>	<u>\$ 5,390,093</u>

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

City of Saratoga Springs, Utah

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds—General Fund

(This summary has not been audited)

Fiscal Year Ended June 30

	2016	2015	2014	2013	2012
Revenues:					
Taxes.....	\$ 7,141,996	\$ 6,692,613	\$ 6,320,529	\$ 5,988,153	\$ 5,789,134
Charges for services.....	4,120,343	3,057,604	2,528,157	3,764,243	3,399,368
Licenses and permits.....	1,231,004	749,910	583,374	648,974	563,917
Intergovernmental revenue.....	1,114,882	2,191,668	682,551	757,047	810,056
Fines and forfeitures.....	514,587	427,554	376,887	378,465	-
Investment earnings.....	137,752	31,472	23,989	23,656	16,103
Other.....	106,387	43,773	79,846	81,909	385,230
Contributions and donations.....	-	-	-	-	32,757
Total revenues.....	14,366,951	13,194,594	10,595,333	11,642,447	10,996,565
Expenditures:					
Current:					
Public safety.....	6,268,225	5,724,366	5,418,919	4,946,722	4,563,023
General government.....	2,204,995	2,083,466	1,980,200	2,144,179	1,810,043
Parks and recreation.....	1,472,563	2,340,617	962,259	766,068	776,785
Highways and public works.....	1,021,610	798,907	871,826	1,160,651	1,093,845
Debt service:					
Principal retirement.....	160,000	155,000	150,000	145,000	140,000
Interest and fiscal charges.....	133,171	137,882	142,332	146,800	151,000
Capital lease payments.....	-	-	-	-	365,282
Total expenditures.....	11,260,564	11,240,238	9,525,536	9,309,420	8,899,978
Excess of revenues over (under) expenditures.....	3,106,387	1,954,356	1,069,797	2,333,027	2,096,587
Other financing sources (uses):					
Transfers in.....	78,201	78,027	-	-	-
Sales of assets.....	8,043	15,799	-	51,352	200,743
Transfers out.....	(3,412,860)	(1,344,074)	(2,231,485)	(2,366,616)	(2,247,216)
Capital lease.....	-	120,119	211,322	-	119,100
Total other financing sources (uses).....	(3,326,616)	(1,130,129)	(2,020,163)	(2,315,264)	(1,927,373)
Net change in fund balances.....	(220,229)	824,227	(950,366)	17,763	169,214
Fund balance at beginning of year, as restated.....	2,989,074	2,164,849	3,115,215	3,097,452	2,928,238
Fund balance at end of year.....	\$ 2,768,845	\$ 2,989,076	\$ 2,164,849	\$ 3,115,215	\$ 3,097,452

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

For a 10-year financial history of various City funds see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Statistical Section” at the indicated pages as set forth below.

- (i) “Net Position by Component Last Ten Fiscal Years” (CAFR page 67);
- (ii) “Changes in Net Position Last Ten Fiscal Years” (CAFR page 68);
- (iii) “Fund Balances of Governmental Funds Last Ten Fiscal Years” (CAFR page 70);
- (iv) “Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years” (CAFR page 71); and
- (v) “Five Year Financial Summaries Last Five Fiscal Years” (CAFR page 89).

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Taxable, Fair Market And Market Value Of Property

Calendar Year	Taxable Value (2)	% Change Over Prior Year	Fair Market/Market Value (3)	% Change Over Prior Year
2016 (1)	\$1,301,680,175	12.6	\$2,120,313,037	12.5
2015	1,155,908,456	13.1	1,885,166,371	13.9
2014	1,021,805,957	22.8	1,654,532,026	23.1
2013	831,929,894	9.0	1,343,836,324	10.5
2012	763,106,508	2.5	1,216,446,016	2.9

(1) Preliminary; subject to change. Fair Market/Market Value calculated by the Municipal Advisor.

(2) The City has never created any redevelopment agencies within its boundaries.

(3) Estimated fair market values were calculated by dividing the taxable value of primary residential property by 55%, which eliminates the 45% exemption on primary residential property granted under the Property Tax Act.

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

Historical Summaries Of Taxable Values Of Property

	Calendar Year					
	2016		2015	2014	2013	2012
	Taxable Value*	% of T.V.	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Set by State Tax Commission (centrally assessed):						
Total centrally assessed.....	\$ 22,496,909	1.7 %	\$ 18,231,828	\$ 15,622,482	\$ 15,374,773	\$ 12,632,243
Set by County Assessor (locally assessed):						
Real property (land and buildings):						
Primary residential.....	1,000,551,276	76.9	891,315,229	773,331,862	625,663,415	554,081,621
Secondary residential.....	900,000	0.1	844,800	452,900	247,100	0
Commercial and industrial.....	110,000,000	8.5	91,446,400	85,560,500	76,478,480	75,701,502
FAA (greenbelt).....	980,000	0.1	926,209	389,226	425,911	425,227
Unimproved non FAA (vacant)....	150,000,000	11.5	136,500,400	130,382,500	97,368,117	105,010,402
Agricultural.....	2,000,000	0.2	1,891,600	2,412,300	2,687,100	2,695,400
Total real property.....	<u>1,264,431,276</u>	<u>97.1</u>	<u>1,122,924,638</u>	<u>992,529,288</u>	<u>802,870,123</u>	<u>737,914,152</u>
Personal property:						
Primary mobile homes.....	0	0.0	0	0	0	0
Secondary mobile homes.....	0	0.0	0	0	0	0
Other business.....	14,751,990	1.1	14,751,990	13,654,187	13,684,998	12,560,113
SCME (1).....	0	0.0	0	0	0	0
Total personal property.....	<u>14,751,990</u>	<u>1.1</u>	<u>14,751,990</u>	<u>13,654,187</u>	<u>13,684,998</u>	<u>12,560,113</u>
Total locally assessed.....	<u>1,279,183,266</u>	<u>98.3</u>	<u>1,137,676,628</u>	<u>1,006,183,475</u>	<u>816,555,121</u>	<u>750,474,265</u>
Total taxable value.....	<u>\$1,301,680,175</u>	<u>100.0 %</u>	<u>\$ 1,155,908,456</u>	<u>\$ 1,021,805,957</u>	<u>\$ 831,929,894</u>	<u>\$ 763,106,508</u>
Total taxable value.....	<u>\$1,301,680,175</u>		<u>\$ 1,155,908,456</u>	<u>\$ 1,021,805,957</u>	<u>\$ 831,929,894</u>	<u>\$ 763,106,508</u>

* Preliminary; subject to change.

(1) SCME (semi-conductor manufacturing equipment).

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

For a 10-year Fiscal Year history of the City's presentation of the taxable and estimated fair market valuation see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016—Statistical Section—Assessed Value of Taxable Property *Excluding* Fee-in-Lieu Last Ten Calendar Years" (CAFR page 73) and "—Assessed Value of Taxable Property *Including* Fee-in-Lieu Last Ten Calendar Years" (CAFR page 74).

LEGAL MATTERS

Absence Of Litigation

There is no litigation pending or threatened questioning or in any manner relating to or affecting the validity of the 2017 Bonds.

On the date of the execution and delivery of the 2017 Bonds, certificates will be delivered by the City to the effect that to the knowledge of the City, there is no action, suit, proceeding or litigation pending or threatened against the City, which in any way materially questions or affects the validity or enforceability of the 2017 Bonds or any proceedings or transactions relating to their authorization, execution, authentication, marketing, sale or delivery or which materially adversely affects the existence or powers of the City.

A non-litigation opinion issued by Kevin Thurman, City Attorney, dated the date of closing, will be provided stating, among other things, that there is not pending, or to his knowledge threatened, any action, suit, proceeding, inquiry, or any other litigation or investigation, at law or in equity, before or by any court, public board or body, challenging the creation, organization or existence of the City, or the ability of the City, or their respective officers to authenticate, execute or deliver the 2017 Bonds or such other documents as may be required in connection with the issuance and sale of the 2017 Bonds, or to comply with or perform its respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the 2017 Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the 2017 Bonds are issued, the legality of the purpose for which the 2017 Bonds are issued, or the validity of the 2017 Bonds or the issuance and sale thereof.

General

Certain legal matters incident to the authorization, issuance and sale of the 2017 Bonds are subject to the approving legal opinion of Gilmore & Bell, P.C., Bond Counsel to the City. Certain legal matters will be passed upon for the City by Kevin Thurman, City Attorney. Certain matters regarding this OFFICIAL STATEMENT will be passed on for the City by Gilmore & Bell, P.C., Disclosure Counsel to the City. The approving opinion of Bond Counsel will be delivered with the 2017 Bonds. A copy of the opinion of Bond Counsel in substantially the form set forth in "APPENDIX C—PROPOSED FORM OF OPINION OF BOND COUNSEL" of this OFFICIAL STATEMENT will be made available upon request from the contact persons as indicated under "INTRODUCTION—Contact Persons" above.

The various legal opinions to be delivered concurrently with the delivery of the 2017 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

The following is a summary of the material federal and State of Utah income tax consequences of holding and disposing of the 2017 Bonds. This summary is based upon laws, regulations, rulings and

judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the 2017 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Utah, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the 2017 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the 2017 Bonds.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law currently existing as of the issue date of the 2017 Bonds:

Federal Tax Exemption. The interest on the 2017 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes.

Alternative Minimum Tax. Interest on the 2017 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The 2017 Bonds are “qualified tax-exempt obligations” within the meaning of the Code.

Bond counsel’s opinions are provided as of the date of the original issue of the 2017 Bonds, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2017 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2017 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the 2017 Bonds.

State of Utah Tax Exemption. The interest on the 2017 Bonds (including any original issue discount properly allocable to an owner thereof) is exempt from State of Utah individual income taxes.

Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the 2017 Bonds but has reviewed the discussion under the heading “TAX MATTERS.”

Other Tax Consequences

Original Issue Premium. If a 2017 Bond is issued at a price that exceeds the stated redemption price at maturity of the 2017 Bond, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that 2017 Bond. Under Section 171 of the Code, the purchaser of that 2017 Bond must amortize the premium over the term of the 2017 Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the 2017 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the 2017 Bond prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a 2017 Bond, an owner of the 2017 Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the 2017 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the 2017 Bond. To the extent a 2017 Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the 2017 Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the 2017 Bonds, and to the proceeds paid on the sale of the 2017 Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the 2017 Bonds should be aware that ownership of the 2017 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2017 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of 2017 Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the 2017 Bonds, including the possible application of state, local, foreign and other tax laws.

MISCELLANEOUS

Bond Rating

As of the date of this OFFICIAL STATEMENT, the 2017 Bonds have been rated "AA" by S&P. An explanation of the above rating may be obtained from S&P. The City has not directly applied to Moody's Investors Service Inc. or Fitch Ratings for a rating on the 2017 Bonds.

Such rating does not constitute a recommendation by the rating agencies to buy, sell or hold the 2017 Bonds. Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from S&P at the following address: 55 Water St, New York, NY 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance that the rating given to the 2017 Bonds will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2017 Bonds.

Trustee

The obligations and duties of the Trustee are described in the Indenture and the Trustee has undertaken only those obligations and duties that are expressly set out in the Indenture. The Trustee has not independently passed upon the validity of the 2017 Bonds, the security therefor, the adequacy of the provisions for payment thereof or the exclusion from gross income for federal tax purposes of the interest on the

2017 Bonds. The Trustee may resign or be removed or replaced as provided in the Indenture. See “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE.”

Municipal Advisor

The City has entered into an agreement with the Municipal Advisor whereunder the Municipal Advisor provides financial recommendations and guidance to the City with respect to preparation for sale of the 2017 Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the 2017 Bonds. The Municipal Advisor has read and participated in the drafting of certain portions of this OFFICIAL STATEMENT and has supervised the completion and editing thereof. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the OFFICIAL STATEMENT, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information, and the Municipal Advisor makes no guaranty or warranty respecting the accuracy and completeness of the OFFICIAL STATEMENT or any other matter related to the OFFICIAL STATEMENT.

Independent Auditors

The comprehensive annual financial report of the City as of June 30, 2016 and for the year then ended, included in this OFFICIAL STATEMENT, have been audited by Litz & Company, P.C., Certified Public Accountants, Roy, Utah (“Litz”), as stated in their report in “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016” (CAFR page 10)

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

The City intends to issue a Request For Proposals for auditing services for Fiscal Year 2017. As of the date of the OFFICIAL STATEMENT, the auditor has not been selected.

Additional Information

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

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

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

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

City of Saratoga Springs, Utah

By: _____ /s/ James Miller

James Miller, Mayor

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APPENDIX A

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF CITY OF SARATOGA SPRINGS, UTAH FOR FISCAL YEAR 2016

The comprehensive annual financial report for Fiscal Year 2016 is contained herein. Copies of current and prior comprehensive annual financial reports are available upon request from the City's contact person as indicated under "INTRODUCTION—Contact Persons" above.

The City's Comprehensive Annual Financial Report for Fiscal Year 2017 must be completed under State law by November 30, 2017.

Government Finance Officers Association; Certificate of Achievement for Excellence in Financial Reporting and Distinguished Budget Presentation Award

Financial Reporting. The Government Finance Officers Association of the United States and Canada ("GFOA") have awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the 3rd consecutive year, beginning with Fiscal Year 2013 through Fiscal Year 2015.

The City has submitted its Fiscal Year 2016 CAFR to GFOA to determine its eligibility for a Certificate of Achievement. The County believes that its Fiscal Year 2016 CAFR continues to meet the Certificate of Achievement program requirements.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

Budget. GFOA has presented a Distinguished Budget Presentation Award to the City for its annual budget for the 6th consecutive year, beginning with the Fiscal Year 2011 through Fiscal Year 2017.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. The award is valid for a period of one year only.

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COMPREHENSIVE
ANNUAL FINANCIAL REPORT



CITY OF SARATOGA SPRINGS, UTAH
FISCAL YEAR ENDED JUNE 30, 2016

CITY OF SARATOGA SPRINGS, UTAH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

(INCLUDING INTERNAL CONTROL, AND COMPLIANCE REPORTS
AND SUPPLEMENTARY INFORMATION)

FOR FISCAL YEAR ENDED JUNE 30, 2016

PREPARED BY:
FINANCE DEPARTMENT

THE CITY OF SARATOGA SPRINGS
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INTRODUCTORY SECTION



CITY OF SARATOGA SPRINGS

November 15, 2016

To the Honorable City Council, Honorable Mayor, and Citizens of the City of Saratoga Springs, Utah:

These financial statements have been prepared by the City of Saratoga Springs Finance Department in accordance with accounting principles generally accepted in the United States (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). Utah State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report fulfills that requirement for the fiscal year ended June 30, 2016.

The City's management is responsible for the accuracy of the report, as well as the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the report is complete and accurate in all material respects. To provide a basis for management to make these representations, the City maintains a comprehensive system of internal controls designed to provide reasonable, but not absolute, assurance against loss of assets or material misstatement in the financial statements. This level of assurance is an inherent limitation in a system of internal controls. They should be cost-effective, with cost of such controls not exceeding the related benefit.

Litz & Company P.C., a firm of licensed certified public accountants, has audited the basic financial statements contained in this report. With this type of audit, the independent auditors render an opinion, with reasonable assurance, as to whether the basic financial statements for the fiscal year ended June 30, 2016, are fairly presented and free of any material misstatement. Audit procedures included extensive testing and analysis of transactions, balances, and systems. The unqualified ("clean") opinion on the basic financial statements signed by Litz & Company P.C. is located at the beginning of the financial section.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the *Management's Discussion and Analysis* (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

CITY PROFILE

The City of Saratoga Springs is a municipality governed by a six member legislative body consisting of an elected Mayor and five-member Council. The City was incorporated in 1997 and operates under a Council-Manager form of government established by ordinance. Policy-making and legislative authority are vested in the City Council.

The City Council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager, among other things. The City's manager is responsible for carrying out the policies and ordinances of the legislative body, for overseeing the day-to-day operations for the City, and for appointing heads of the various departments. The Council and Mayor are elected on a non-partisan basis. Council members and the Mayor serve four-year staggered terms.

The City provides many municipal services including police, fire and medical response, parks, recreation, library, water, sewer, garbage, public improvements, streets, planning, zoning, and administrative services. This report includes the financial statements of the funds required to report those activities, organizations and functions which are related to the City and are controlled by or financially accountable to the City Council.

BUDGETARY CONTROL

The City Council is required to adopt a final budget no later than June 22 of the fiscal year. The annual budget serves as the foundation of the City's financial planning and control. Budgets are prepared for all governmental fund types including the general fund, capital improvement funds, and debt service funds. The City Council approves all City budgets at the department level (general government, public safety, highways and public improvements, parks and recreation). Budgetary control is maintained at the department level where expenditures may not legally exceed appropriations. Department heads may make transfers within a department. The City Council may amend the budget by ordinance during the budget year but must hold a public hearing after appropriate public notice to increase governmental fund's budget before it can adopt the ordinance.

LOCAL ECONOMY AND TRENDS

The City of Saratoga Springs is located in Utah County, Utah, on the northwest shores of Utah Lake in the center of Utah's Wasatch Front Metropolitan Area. The City is 20 miles south of Salt Lake City and 30 minutes by freeway from the Salt Lake International Airport. It is an exciting pro-development community which boasts a high quality of life that includes beautiful lakeshore living, a quiet and rural atmosphere, great air quality, superb views and an excellent central location between the Provo/Orem and Salt Lake City metro areas.

The City's population (2016 Census Estimate) of 28,652 residents is a suburban population that works along the Wasatch Front but desires a quiet suburban area in which to live. The City is among the top ten highest growth cities in Utah. As a region, the northern Utah County area has also experienced rapid development and growth in recent years. The physical infrastructure to continue rapid residential growth is in place and regular planning ensures that transportation expansions map to population growth rates.

Land developed in the City has taken the form of large "master planned" communities with progressive land-use and zoning practices which have resulted in quality and diverse housing styles. Since the incorporation of the city, several ordinances have been adopted and a land development code has been created that encourages planned developments, clustering of residential units, preservation of open space, creation of parks and trail systems, and the maximization of views along Utah Lake shore.

LONG-TERM FINANCIAL PLANNING

Revenue Forecasting

The City has endorsed the recommended practices issued by the *National Advisory Council on State and Local Budgeting* addressing budgeting and financial planning, specifically the six revenue forecasting practices.

- Multi-year revenue/resource projections
- Maintaining an in-depth understanding of revenues/resources
- Assessing the effects of potential changes to revenue source rates and bases
- Periodically estimating the impact and potential foregone revenue/resources as a result of policies that exempt from payment, provide discounts and credits, or otherwise favor a particular category of taxpayers or service users
- Developing a process for achieving consensus on the forecast of revenues used to estimate available resources for a budget
- Preparing and maintaining a revenue manual that documents revenue sources and factors relevant to present and projected future levels of those revenues

Forecasting Methodology

The City uses *qualitative* and *quantitative* approaches to forecasting revenues that include, but are not limited to:

- Trend Analysis
- Economic Reviews and Publications
- Departmental Surveys
- National, State, and Local Policy Changes
- Comparing Revenue Collections against Projections
- Consensus, Expert, and Judgmental Forecasting

Both forecasting methods include global, national, state, and local analysis that may affect revenues and financial planning.

Relevant Financial Policies

The City of Saratoga Springs recognizes its duty to its citizens and other interested parties to account for public funds and resources. The Policies and Objectives hereinafter are set forth to establish guidelines for fiscal accountability, full disclosure, and planning. These financial management policies provide a basic framework for the overall fiscal management of the City. These policies represent a foundation to address changing circumstances and conditions, and to assist in the decision making process. In addition, these policies represent guidelines for evaluating both current and future activities.

The financial policies represent long-standing principles and practices that have enabled the City to maintain financial stability. The policies are reviewed annually to represent current public policy decisions. The Council as part of the budget process adopts these policies annually.

MAJOR INITIATIVES

City Council Long-term Goals

- Improve communication to foster engagement between the City, the residents, businesses, and schools
- Create a successful environment for business “Class A”, dining, and retail to foster an environment of work, live, and play
- Foster high quality, long-term growth and development
- Improve the experience of the development community in our City
- Build 1st class recreation facilities
- Improve staff satisfaction to develop and retain committed employees

- Develop a long range, sustainable plan with quantifiable metrics to increase “infrastructure” staff roads proportionally, etc.
- Create a unique lakefront for economic & residential development

Update on Major Projects

Project	Estimated Cost	Description
Marina Pump Station	\$4.6 million	To provide water source in the south end of the City
Zone 1 North Pond	\$3.2 million	Pond will service the north and middle of the City.
Inlet Park Outfall Upsize	\$3.1 million	Creating alternate sewer line through Legacy Farms to accommodate flow capacity.
Police Facility	\$3 million	New facility for Police and Justice Court departments.
Zone 2 South Pond	\$2.3 million	Serve as storage for the Marina pump project
Zone 2 North Pond	\$2.3 million	Provide capacity in the north part of the City
ULDC Pump Station	\$1.9 million	Takes water out of the ULD canal and provide a water source for the north and middle part of the city.
Foothill South Pipeline and Pump Station	\$1.75 million	Provide transmission of water from Israel Canyon Pond to Fox Hollow

Awards and Acknowledgements

The City of Saratoga Springs received the Distinguished Budget Presentation Award from the Government Finance Officer’s Association (GFOA) for the City’s adopted budget beginning for the periods beginning July 1, 2015, July 1, 2014, July 1, 2013, July 1, 2012, and July 1, 2011. In order to qualify for the award program, the City’s budget document was judged proficient in several categories including policy documentation, financial planning, and organization.

The City of Saratoga Springs received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for years 2011, 2012, 2013, 2014, and 2015. In order to qualify for the award, the staff must prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the Administration and Finance Departments. We would like to express our appreciation to Litz & Company P.C., certified public accountants, for their professional service and assistance. We would also like to thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,


 Mark Christensen – City Manager


 Chelese M. Rawlings – Finance Manager

CITY OF SARATOGA SPRINGS
1307 N. Commerce Drive, Suite 200
Saratoga Springs, Utah 84045
801-766-9793

MAYOR AND CITY COUNCIL AS OF JUNE 30, 2016

Mayor Jim Miller

Email: jmiller@saratogaspringscity.com

Term: 01/2014 - 01/2018

Council Member Bud Poduska

Email: bpoduska@saratogaspringscity.com

Term: 01/2016 - 01/2020

Council Member Michael McOmber

Email: mmcomber@saratogaspringscity.com

Term: 01/2014 - 01/2018

Council Member Shellie Baertsch

Email: sbaertsch@saratogaspringscity.com

Term: 01/2016 - 01/2020

Council Member Stephen Willden

Email: swillden@saratogaspringscity.com

Term: 01/2014 - 01/2018

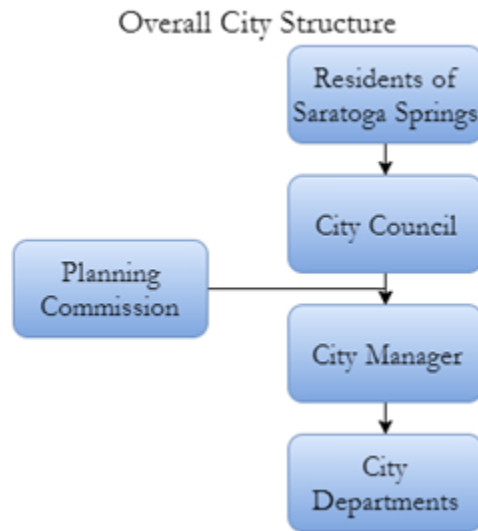
Council Member Christopher Porter

Email: cporter@saratogaspringscity.com

Term: 01/2016 - 01/2020

CITY OF SARATOGA SPRINGS, UTAH

**ORGANIZATIONAL CHARTS
FY2016**



City Departments





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Saratoga Springs
Utah**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

FINANCIAL SECTION

**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, 2016, 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, 2016, 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.

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 12 through 25 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 30, 2016, 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.



**Roy, Utah
September 30, 2016**

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

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, 2016. 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, 2016, were \$223,940,044. Of this amount, \$30,566,807 (unrestricted net position) is available to meet ongoing financial obligations.
- The City's government-wide net position increased by \$34,953,607. Of this amount, business-type activities increased by \$22,373,953, a rise of 22.7 percent, and the governmental activities increased by \$12,579,654 an increase of 14.0 percent when compared to last fiscal year.
- The City's governmental funds reported a combined ending fund balance of \$15,648,803, a decrease of \$1,106,425 (6.6 Percent) compared to the beginning of this year's fund balance amount. The decrease in fund balance in comparison to last fiscal year is attributable to a decrease in unassigned fund balance and committed for capital projects. Of the combined total fund balance, \$2,768,845 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, 2016, totaled \$2,768,845 and is 19.3 percent of the General Fund total revenues for the year and 17.7 percent of total governmental fund balance.
- The City's total debt had a net decrease of \$1,966,816 during fiscal year 2016. This represents a 6.8 percent decrease over the prior year, this is a result from required debt service payments and no new issuance of bonds.

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.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

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 30 and 32. 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 29-34 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.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

- **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 35-37 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.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

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, 2016 and 2015.

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

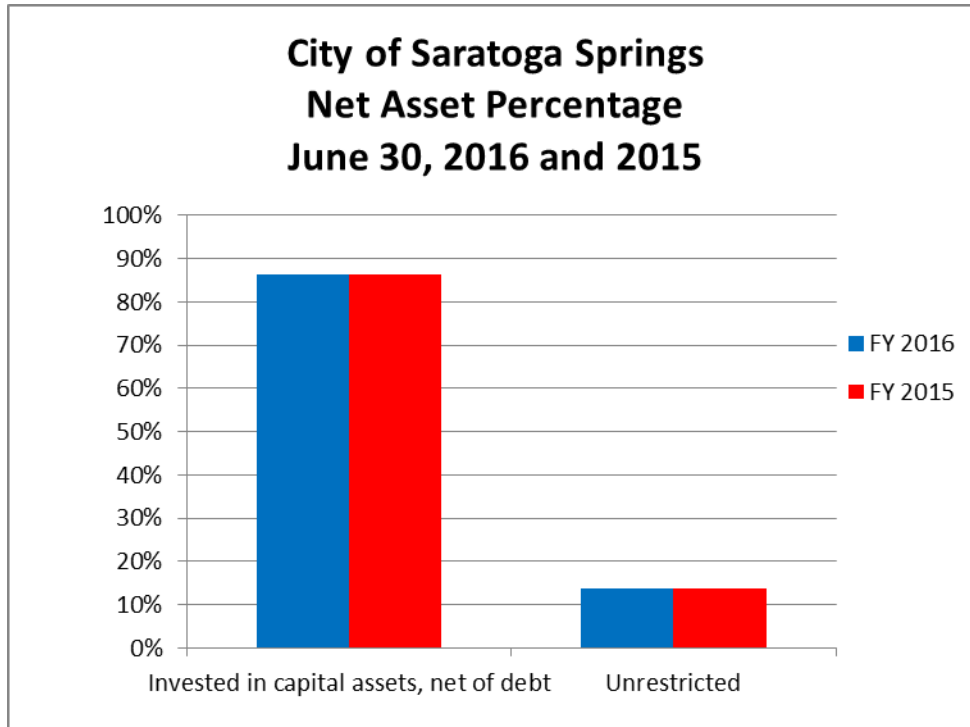
	Governmental		Business-Type		Total		Total %
	Activities		Activities				Change
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 27.8	\$ 23.8	\$ 22.7	\$ 17.3	\$ 50.5	\$ 41.1	22.9%
Capital assets	91.1	77.5	127.4	111.8	218.5	189.3	15.4%
Total Assets	<u>118.9</u>	<u>101.3</u>	<u>150.1</u>	<u>129.1</u>	<u>269.0</u>	<u>230.4</u>	<u>16.8%</u>
Long-Term debt	5.8	5.5	21.6	23.2	27.4	28.7	-4.5%
Other liabilities	10.2	5.5	7.4	7.2	17.6	12.7	38.6%
Total liabilities	<u>16.0</u>	<u>11.0</u>	<u>29.0</u>	<u>30.4</u>	<u>45.0</u>	<u>41.4</u>	<u>8.7%</u>
Net assets							
Invested in capital assets,							
net of related debt	86.4	73.2	107.0	89.9	193.4	163.1	18.6%
Unrestricted	16.5	17.1	14.1	8.8	30.6	25.9	18.1%
Total net assets	<u>\$ 102.9</u>	<u>\$ 90.3</u>	<u>\$ 121.1</u>	<u>\$ 98.7</u>	<u>\$ 224.0</u>	<u>\$ 189.0</u>	<u>18.5%</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2016, the City's assets exceeded liabilities by approximately \$224.0 million (net assets) compared to \$189.0 million at June 30, 2015. This would indicate an improved financial position in comparison to last fiscal year. Roughly 86.4 percent at June 30, 2016, and 86.3 percent at June 30, 2015, 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 \$35.0 million was due to developer capital contributions, routine acquisitions of capital assets, repayments of related debt, and depreciation expense.

The other sub-classification of net assets is unrestricted. The balance of \$30.6 million at June 30, 2016 and \$25.9 million at June 30, 2015, 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.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

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



CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

Changes in Net Assets – As taken from the Statement of Activities, the following table signifies the changes in net assets for fiscal years 2016 and 2015.

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

	Governmental		Business-Type		Total		Total % Change
	Activities		Activities		2016	2015	
	2016	2015	2016	2015	2016	2015	
Revenues							
Program Revenues							
Charges for Services	\$ 10.5	\$ 8.7	\$ 17.1	\$ 11.1	\$ 27.6	\$ 19.8	39.4%
Operating grants and contributions	0.2	0.8	-	-	0.2	0.8	-75.0%
Capital grants and contributions	10.8	1.5	17.8	6.6	28.6	8.1	253.1%
General Revenues							
Property Tax	3.0	2.8	-	-	3.0	2.8	7.1%
Other Taxes	4.3	4.0	-	-	4.3	4.0	7.5%
Investment earnings	0.2	0.1	0.1	0.1	0.3	0.2	50.0%
Other	-	-	-	-	-	-	-100.0%
Total Revenues	29.0	17.9	35.0	17.8	64.0	35.7	79.3%
Expenses							
General government	2.5	2.1	-	-	2.5	2.1	19.0%
Public safety	6.0	5.2	-	-	6.0	5.2	15.4%
Highways and public improvements	6.0	5.4	-	-	6.0	5.4	11.1%
Parks and recreation	2.0	2.7	-	-	2.0	2.7	-25.9%
Interest on long-term debt	0.1	0.1	-	-	0.1	0.1	0.0%
Water utility	-	-	6.3	5.5	6.3	5.5	14.5%
Sewer utility	-	-	4.2	3.2	4.2	3.2	31.3%
Garbage utility	-	-	0.9	0.9	0.9	0.9	0.0%
Storm drain utility	-	-	1.1	1.1	1.1	1.1	0.0%
Total Expenses	16.6	15.5	12.5	10.7	29.1	26.2	11.1%
Change in net position	12.6	2.4	22.4	7.1	35.0	9.5	268.4%
Net position beginning	90.3	87.9	98.7	91.6	189.0	179.5	5.3%
Net position ending	<u>\$ 102.9</u>	<u>\$ 90.3</u>	<u>\$ 121.1</u>	<u>\$ 98.7</u>	<u>\$ 224.0</u>	<u>\$ 189.0</u>	<u>18.5%</u>

Net position increased from governmental activities in fiscal year 2016 approximately \$12.6 million and \$0.3 million in fiscal year 2015. The increase is primarily due to increased charges for services and capital grants and contributions. Expenses for governmental activities were higher with a \$1.1 million increase. This is mainly due to increase in personnel and expenses for capital projects.

Net position increased \$22.4 million in fiscal year 2016 and increased \$6.9 million in 2015 for business-type activities. The revenues for business-type activities increased in charges for services and capital grants and contributions due to increase impact fee collection, and developer contributions.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

Revenues – For the year ended June 30, 2016, the City’s government-wide revenues are approximately \$64.0 million as compared to the prior year total revenues of \$35.7 million. Key elements of this change were as follows:

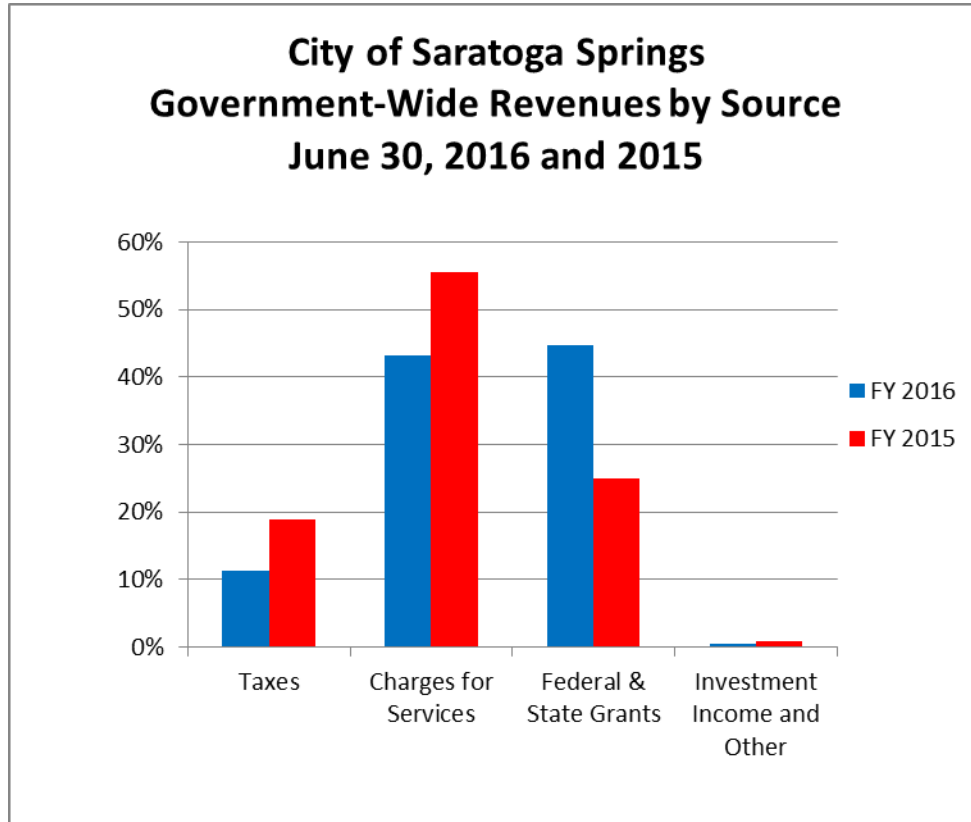
Of the City’s total revenues, about 11.4 percent in fiscal year 2016 and 19.0 percent in fiscal year 2015 resulted from taxes (under half of which is from property taxes) as shown in the following table:

City of Saratoga Springs
(in millions of dollars)

	Government-wide		Total % Change
	Tax Revenues		
	<u>2016</u>	<u>2015</u>	
Property tax	\$ 3.0	\$ 2.8	7%
General sales and use tax	3.2	2.9	10%
Franchise fees	0.2	0.2	0%
Energy Tax	0.9	0.9	0%
Total	<u>\$ 7.3</u>	<u>\$ 6.8</u>	<u>7%</u>

- Charges for services increased in fiscal year 2016 about \$7.8 million and increased 43.2 percent of total revenues in fiscal year 2016 from 55.5 percent in fiscal year 2015. The increase is due to increased collections in general government and business type activities service fees.
- Operating and capital contributions combined increased by \$19.9 million in fiscal year 2016. This was due to more capital and operating grant revenues received, combined with developer contributions.
- Investment and other income, which is a combination of interest earnings and gain on the sale of capital assets, increased by \$0.1 million in fiscal year 2016.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016



Expenses – The City’s government-wide total expenses cover a range of services. For the year ended June 30, 2016, the City’s total expenses are \$29.1 million compared to the prior year of \$26.2 million. Of the \$2.9 million increase, general government expenses increased \$0.4 million, public safety increased \$0.8 million, highways and public improvements increased \$0.6 million, parks and recreation decreased \$0.7 million, interest on long-term debt stayed the same, and business-type activities increased by \$1.8 million.

Governmental Activities:

Revenue Highlights:

- Taxes encompass a sizable source of revenue for the City’s governmental activities: Roughly \$7.3 million or 25.2 percent in fiscal year 2016 and \$6.8 million or 38.0 percent in fiscal year 2015 of total revenues from governmental activities. The \$0.5 million increase is majorly from property and other taxes.
- Charges for services increased to \$10.5 million or 36.2 percent of total revenues from governmental activities in fiscal year 2016 from \$8.7 million or 48.6 percent of total revenues in fiscal year 2015. The increase in fiscal year 2016 is a result from increased building, planning and engineering fee collection.
- Grant and contribution revenue denotes approximately \$11.0 million or 38.0 percent in fiscal year 2016 and \$2.3 million or 12.8 percent in fiscal year 2015 of total revenues from governmental activities. The \$8.7 million increase was the effect more developer contributions to the City.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

Expense Highlights:

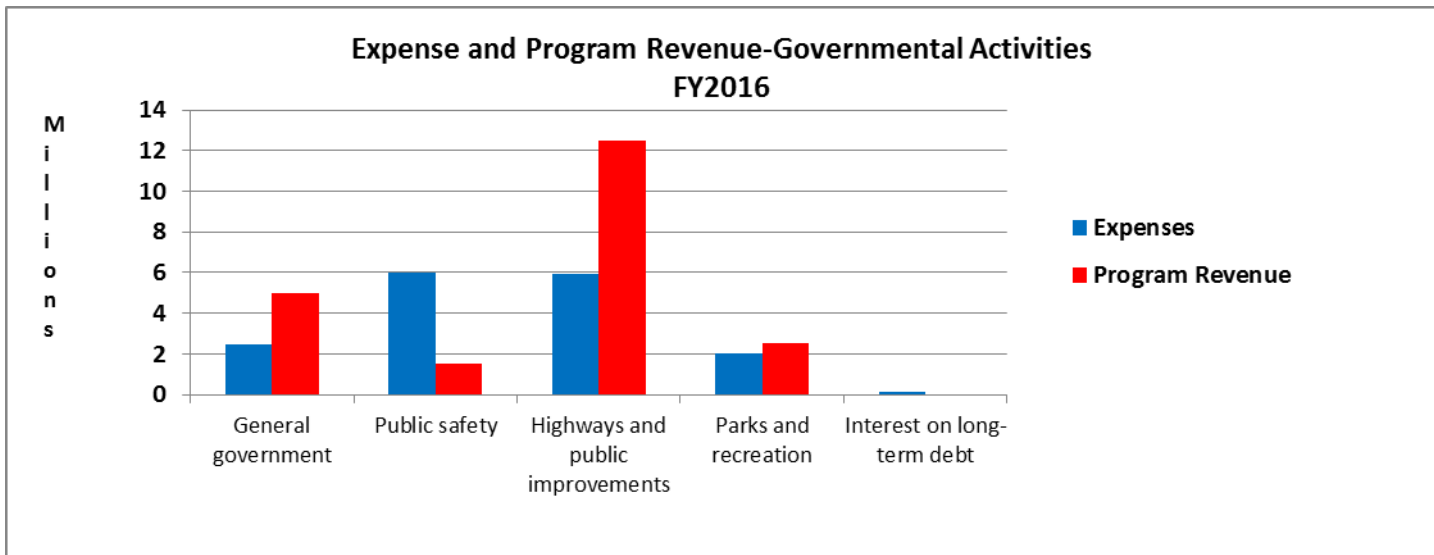
- General government expenses of around \$2.5 million in fiscal year 2016 and \$2.1 million in fiscal year 2015 represented 15.1 percent in fiscal year 2016 and 13.6 percent in fiscal year 2015 of total expenses from governmental activities. General government includes: Legislative, Administration, Utility billing, Treasury, Recorder, Attorney, Justice Court, Elections, and non-departmental. The \$0.4 million increase is due mainly due to an increase in personnel.
- Public safety expenses were \$6.0 million or 36.2 percent in fiscal year 2016 and \$5.2 million or 33.5 percent in fiscal year 2015. The expenses are higher due to increased personnel.
- Highways and public improvements were \$6.0 million or 36.2 percent in fiscal year 2016 and \$5.4 million or 34.87 percent in fiscal year 2015. The \$0.6 million increase is due to road and general capital projects in conjunction with increased personnel.
- Parks and recreation expenses were \$2.0 million or 12.1 percent in fiscal year 2016 and \$2.7 million or 17.4 percent in fiscal year 2015. The \$0.7 million decrease is due to less capital projects and less purchase of equipment.

As a result, total net expenses that were funded by general revenues were \$4.9 million. Tax revenues of \$7.3 million were sufficient to fund net expenses in fiscal year 2016.

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 % Change
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
General government	\$ 2.5	\$ 2.1	\$ (2.5)	\$ (1.3)	92.3%
Public safety	6.0	5.2	4.5	4.1	9.8%
Highways and public improvements	6.0	5.4	(6.5)	2.1	409.5%
Parks and recreation	2.0	2.7	(0.5)	(0.4)	25.0%
Interest on long-tem debt	0.1	0.1	0.1	0.1	100.0%
Total	<u>\$ 16.6</u>	<u>\$ 15.5</u>	<u>\$ (4.9)</u>	<u>\$ 4.6</u>	<u>-206.5%</u>



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

Business-type Activities:

The City’s business-type activities increased net position by \$22.4 million. Key elements of this increase were as follows:

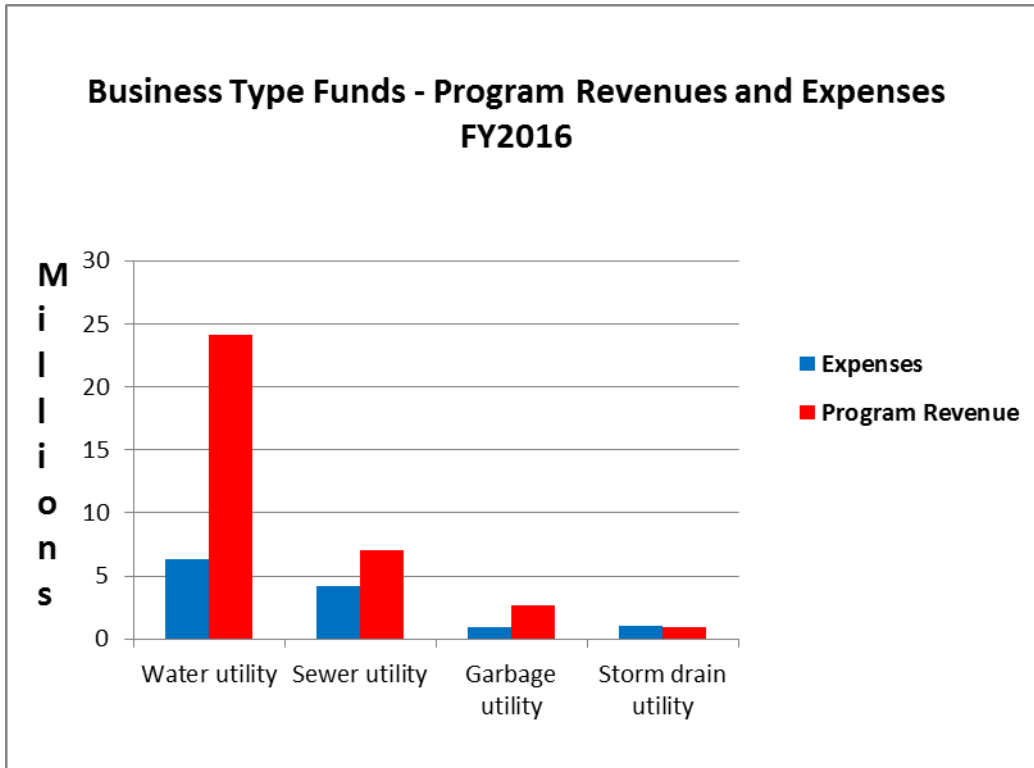
Revenue Highlights:

- Charges for services for business-type activities increased by \$6.0 million for fiscal year 2016. This is mainly due to increased impact fees in the business type-funds.
- Operating and capital grants and contributions increased about \$11.2 million in fiscal year 2016. The \$11.2 million increase is due to developer contributions.
- Investment earnings stayed approximately the same in fiscal year 2016.

Expense Highlights:

- Personnel expenses increased approximately \$0.1 million due to an increase in positions in the utility funds.
- Supplies and maintenance expenses increased by \$0.9 million. The increase is due to increased water meter expenses coupled with increases in sewer capital projects.
- Professional services expenses increased by \$0.4 million. The increase is due to higher consulting services to prepare for various upcoming capital projects
- Treatment and sanitation expenses increased approximately \$0.1 million due to increase in sewer treatment costs.

**CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016**



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, 2016, the aggregate fund balance of the City’s governmental funds was \$15.6 million, a decrease of \$1.1 million in comparison with the fiscal year ended June 30, 2015. In fiscal year 2016, about \$2.8 million or 18.0 percent of this amount is unassigned fund balance compared to about \$3.0 million or 17.9 percent in fiscal year 2015. 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 \$12.5 million in fiscal year 2016 and \$13.4 million in fiscal year 2015. The remainder of the fund balance of \$0.4 million is assigned. Of the assigned fund balance, \$0.4 million is assigned to street lighting. In fiscal year 2015 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 (\$736,459) and a 25.0 percent maximum (\$3,682,294) limit to the amount that may be accumulated as the fund balance in the General Fund. As of June 30, 2016 the unassigned fund balance of the General Fund was \$2,768,845 and was \$913,449 below the 25.0 percent limit. The unassigned fund balance decreased by \$220,231 in fiscal year 2016. The main reason for decreased fund balance is more transfers to the capital projects fund to fund currently budgeted projects. The unassigned fund balance in fiscal year 2015 increased by \$920,651.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

As of June 30, 2016, the restricted fund balance in the Capital Projects Fund was \$12.5 million. In fiscal year 2015 the restricted fund balance was \$13.4 million and the remaining fund balances combined were \$4 million. The \$0.9 million decrease in restricted fund balance resulted from more capital outlay spending and increased revenues.

As of June 30, 2016, the assigned fund balance in Street Lighting was \$0.4 million. In fiscal year 2015 the assigned fund balance was \$0.3 million. The increase of fund balance resulted from increased revenue in fiscal year 2016 as compared to fiscal year 2015.

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 \$121.1 million at June 30, 2016, as compared to \$98.7 million at the end of fiscal year 2015. Net position at the end of fiscal year 2016 and 2015 for each of these funds were:

City of Saratoga Springs			
Proprietary Funds			
Fund	Amount		Change
	<u>2016</u>	<u>2015</u>	
Water Utility	\$ 78,689,538	\$ 60,856,061	\$ 17,833,477
Sewer Utility	22,607,717	19,753,420	2,854,297
Strom Drain Utility	19,651,732	17,866,905	1,784,827
Garbage Utility	118,387	217,036	(98,649)
Total	<u>\$ 121,067,374</u>	<u>\$ 98,693,422</u>	<u>\$ 22,373,952</u>

The net increase in net position from the prior year was \$22.4 million as compared to an increase of \$6.9 million in fiscal year 2015. Operating revenues increased \$1.1 million as compared to a \$2.3 million increase change in fiscal year 2015.

The Water Utility operating revenues increased by \$0.3 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 \$0.7 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 increased by \$13.2 million in fiscal year 2016 primarily due to increased accumulated depreciation, routine acquisition and disposition of capital assets, and depreciation expense. Unrestricted net position increased about \$4.7 million.

Sewer utility net position invested in capital assets net of related debt increased by \$2.3 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 \$1.6 million, unrestricted net position increased by \$0.2 million resulting in a net increase of total net position of less than \$1.8 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.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

Garbage Utility unrestricted net position decreased by \$0.1 million. This is mostly due to the purchase of recycle cans to provide 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 \$0.3 million increase in general government resulting from increases in general government personnel.
- More than \$0.1 million increase in public safety from Wildland expenses, public safety personnel.
- Minimal increase in highways and streets.
- More than \$0.1 million decrease in Parks and recreation for decreased contract services.

Total actual expenditures came in \$1.1 million below the final budget. Parks and recreation department and Public Safety did not keep within their legal spending authority. The differences between actual and the final budget can be briefly summarized as follows:

- The final budget was \$0.7 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 \$0.3 million less than the actual expenditures in public safety. This difference was attributed to salaries and wages also professional contract services.
- The final budget was \$1.0 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 \$0.3 million less than actual expenditures in parks and recreation. The difference was coming in over budget in the recreations department in conjunction with going over budget in the construction of a park.

Actual revenues of \$14.4 million were above the final budgeted revenues of \$12.4 million by \$2.0 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 217.0 million (net of \$83.2 million accumulated depreciation) at June 30, 2016, as compared to \$188.6 million (net of \$73.9 million accumulated depreciation) at June 30, 2015. 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, 2016 include:

Governmental Activities:

- \$9.9 million Developer Streets Infrastructure Contributions
- \$4.2 million Riverside Drive
- \$2.0 million Market Street

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

Business-type Activities:

- \$13.8 million Developer Water Infrastructure Contributions
- \$2.4 million Developer Sewer Infrastructure Contributions
- \$1.7 million Developer Storm Drain Infrastructure Contributions

Additional information on the City’s capital assets can be found in Note 4 – Capital Assets on pages 45-47 of this report.

Long-Term Debt: Long-term debt for governmental activities decreased by over \$0.3 million in comparison with fiscal year 2015. Business-type activities debt decreased in fiscal year 2016 by \$1.7 million when compared with fiscal year 2015. Please see note 12 for details concerning long-term debt on pages 55-58.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

- The unemployment rate for Utah County was 3.3 percent compared with the State unemployment rate of 3.7 percent and a national rate of 4.9 percent.
- The fiscal year 2016 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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 24,238,193	\$ 15,223,544	\$ 39,461,737
Cash - restricted	-	2,787,320	2,787,320
Accounts receivable - net	845,617	893,838	1,739,455
Due from other funds	296,275	3,786,861	4,083,136
Due from other governmental units	2,396,502	-	2,396,502
Inventory	-	18,477	18,477
Net pension assets	6,972	23	6,995
Capital assets not being depreciated:			
Land	20,148,298	53,554	20,201,852
Water rights	-	15,720,925	15,720,925
Construction work in process	399,427	19,372	418,799
Capital assets net of accumulated depreciation:			
Buildings and improvements	6,059,984	-	6,059,984
Equipment	5,283,410	1,513,599	6,797,009
Infrastructure	104,303,928	146,665,387	250,969,315
Accumulated depreciation	(46,345,512)	(36,825,349)	(83,170,861)
Net capital assets	<u>89,849,535</u>	<u>127,147,488</u>	<u>216,997,023</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	<u>1,297,990</u>	<u>191,697</u>	<u>1,489,687</u>
Total deferred outflows of resources	<u>1,297,990</u>	<u>191,697</u>	<u>1,489,687</u>
 Total assets	 <u>\$ 118,931,084</u>	 <u>\$ 150,049,248</u>	 <u>\$ 268,980,332</u>
LIABILITIES			
Accounts payable	\$ 994,989	\$ 1,672,926	\$ 2,667,915
Accrued liabilities	304,526	31,116	335,642
Due to other funds	149,461	3,933,675	4,083,136
Deposits payable	8,282,306	135,838	8,418,144
Net pension liability	2,060,568	195,159	2,255,727
Noncurrent liabilities due within one year	535,757	1,616,420	2,152,177
Noncurrent liabilities due in more than one year	3,440,254	21,347,168	24,787,422
Total liabilities	<u>15,767,861</u>	<u>28,932,302</u>	<u>44,700,163</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	<u>290,553</u>	<u>49,572</u>	<u>340,125</u>
Total deferred inflows of resources	<u>290,553</u>	<u>49,572</u>	<u>340,125</u>
NET POSITION			
Net investment in capital assets	86,379,952	106,993,285	193,373,237
Unrestricted	<u>16,492,718</u>	<u>14,074,089</u>	<u>30,566,807</u>
Total net position	<u>102,872,670</u>	<u>121,067,374</u>	<u>223,940,044</u>
 Total liabilities and net position	 <u>\$ 118,931,084</u>	 <u>\$ 150,049,248</u>	 <u>\$ 268,980,332</u>

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, 2016

Function/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Assets Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,462,794	\$ 4,985,682	\$ -	\$ -	\$ 2,522,888	\$ -	\$ 2,522,888
Public safety	6,012,919	1,372,884	170,927	-	(4,469,108)	-	(4,469,108)
Highways and public works	5,966,661	1,641,262	68,101	10,796,710	6,539,412	-	6,539,412
Parks and recreation	2,023,421	2,555,462	-	-	532,041	-	532,041
Interest on long-term debt	133,171	-	-	-	(133,171)	-	(133,171)
Total governmental activities	16,598,967	10,555,290	239,028	10,796,710	4,992,061	-	4,992,061
Business-type activities:							
Water utility	6,353,950	10,473,751	-	13,686,713	-	17,806,514	17,806,514
Sewer utility	4,203,587	4,675,210	-	2,359,017	-	2,830,640	2,830,640
Storm drain utility	901,351	958,500	-	1,723,560	-	1,780,709	1,780,709
Garbage utility	1,059,777	961,029	-	-	-	(98,748)	(98,748)
Total business-type activities	12,518,665	17,068,490	-	17,769,290	-	22,319,115	22,319,115
Total primary government	\$ 29,117,632	\$ 27,623,780	\$ 239,028	\$ 28,566,000	\$ 4,992,061	\$ 22,319,115	\$ 27,311,176
General revenues:							
Property taxes					2,969,689	-	2,969,689
General sales and use tax					3,215,928	-	3,215,928
Franchise tax					212,144	-	212,144
Energy tax					953,656	-	953,656
Investment earnings					190,746	92,225	282,971
Gain (loss) on sale of assets					8,043	-	8,043
Transfers					37,387	(37,387)	-
Total general revenues					7,587,593	54,838	7,642,431
Change in net position					12,579,654	22,373,953	34,953,607
Net position - beginning					90,293,016	98,693,421	188,986,437
Net position - ending					\$ 102,872,670	\$ 121,067,374	\$ 223,940,044

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

CITY OF SARATOGA SPRINGS
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects	Special Revenue	
ASSETS				
Cash and cash equivalents	\$ 11,049,700	\$ 12,811,414	\$ 377,079	\$ 24,238,193
Accounts receivable, net of allowance	737,177	80,777	27,663	845,617
Due from other funds	296,275	-	-	296,275
Due from other governmental units	2,396,502	-	-	2,396,502
Total assets	<u>\$ 14,479,654</u>	<u>\$ 12,892,191</u>	<u>\$ 404,742</u>	<u>\$ 27,776,587</u>
LIABILITIES				
Accounts payable	\$ 578,014	\$ 400,034	\$ 16,941	\$ 994,989
Due to other funds	149,461	-	-	149,461
Accrued liabilities	304,526	-	-	304,526
Deposits payable	8,282,306	-	-	8,282,306
Total liabilities	<u>9,314,307</u>	<u>400,034</u>	<u>16,941</u>	<u>9,731,282</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>2,396,502</u>	<u>-</u>	<u>-</u>	<u>2,396,502</u>
FUND BALANCES				
Committed for - capital projects	-	12,492,157	-	12,492,157
Assigned to - street lights	-	-	387,801	387,801
Unassigned fund balance	2,768,845	-	-	2,768,845
Total fund balances	<u>2,768,845</u>	<u>12,492,157</u>	<u>387,801</u>	<u>15,648,803</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 14,479,654</u>	<u>\$ 12,892,191</u>	<u>\$ 404,742</u>	<u>\$ 27,776,587</u>

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, 2016

Total fund balances - governmental funds:	\$ 15,648,803
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.	89,849,535
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	2,396,502
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	(3,250,000)
Capital lease payable	(219,583)
Unfunded pension liability	(1,046,159)
Compensated absences payable	<u>(506,428)</u>
	(5,022,170)
 Net position of government activities	 <u><u>\$102,872,670</u></u>

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects	Special Revenue	
Revenues:				
Taxes	\$ 7,141,996	\$ -	\$ -	\$ 7,141,996
Licenses and permits	1,231,004	-	-	1,231,004
Intergovernmental revenue	1,114,882	-	-	1,114,882
Charges for services	4,120,343	4,387,645	191,531	8,699,519
Fines and forfeitures	514,587	-	-	514,587
Investment earnings	137,752	50,860	2,134	190,746
Other	106,387	-	3,793	110,180
Total revenues	<u>14,366,951</u>	<u>4,438,505</u>	<u>197,458</u>	<u>19,002,914</u>
Expenditures:				
Current:				
General government	2,204,995	-	140,334	2,345,329
Public safety	6,268,225	8,121	-	6,276,346
Highways and public works	1,021,610	3,937,779	-	4,959,389
Parks and recreation	1,472,563	2,488,643	-	3,961,206
Capital expenditures	-	2,319,328	-	2,319,328
Debt service:				
Principal retirement	160,000	-	-	160,000
Interest and fiscal charges	133,171	-	-	133,171
Total expenditures	<u>11,260,564</u>	<u>8,753,871</u>	<u>140,334</u>	<u>20,154,769</u>
Excess revenues over (under) expenditures	<u>3,106,387</u>	<u>(4,315,366)</u>	<u>57,124</u>	<u>(1,151,855)</u>
Other financing sources (uses):				
Sale of capital asset	8,043	-	-	8,043
Transfers in	78,201	3,543,046	-	3,621,247
Transfers out	(3,412,860)	(171,000)	-	(3,583,860)
Total other financing sources and uses	<u>(3,326,616)</u>	<u>3,372,046</u>	<u>-</u>	<u>45,430</u>
Net change in fund balances	(220,229)	(943,320)	57,124	(1,106,425)
Fund balances - beginning of year	<u>2,989,074</u>	<u>13,435,477</u>	<u>330,677</u>	<u>16,755,228</u>
Fund balances - end of year	<u>\$ 2,768,845</u>	<u>\$ 12,492,157</u>	<u>\$ 387,801</u>	<u>\$ 15,648,803</u>

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, 2016

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

Net change in fund balances - total governmental funds		\$ (1,106,425)
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	8,167,678	
Depreciation expense	<u>(5,245,371)</u>	2,922,307
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	<u>209,421</u>	209,421
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		
		9,920,856
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	326,883	
Change in accrued compensated absences	<u>(7,560)</u>	319,323
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.		
Principal repayments on bonds	160,000	
Payment on capital lease	<u>154,172</u>	314,172
Change in net position of governmental activities		<u><u>\$ 12,579,654</u></u>

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes:				
Property	\$ 2,570,350	\$ 2,570,350	\$ 2,760,268	\$ 189,918
Sales	2,400,000	2,400,000	3,215,928	815,928
Franchise	239,800	239,800	212,144	(27,656)
Energy	750,000	750,000	953,656	203,656
Licenses and permits	582,100	582,100	1,231,004	648,904
Intergovernmental revenue	782,202	807,884	1,114,882	306,998
Charges for services	4,674,974	4,569,788	4,120,343	(449,445)
Fines and forfeitures	419,700	419,700	514,587	94,887
Investment earnings	20,800	20,800	137,752	116,952
Other	30,000	30,000	106,387	76,387
	<u>12,469,926</u>	<u>12,390,422</u>	<u>14,366,951</u>	<u>1,976,529</u>
Expenditures:				
General government	2,569,426	3,263,074	2,204,995	(1,058,079)
Public safety	5,817,960	6,424,738	6,268,225	(156,513)
Highways and streets	2,046,475	2,138,312	1,021,610	(1,116,702)
Parks and recreation	1,312,039	1,611,821	1,472,563	(139,258)
Debt service:				
Principal retirement	150,000	150,000	160,000	-
Interest and fiscal charges	142,450	142,450	133,171	-
	<u>12,038,350</u>	<u>13,730,395</u>	<u>11,260,564</u>	<u>(2,470,552)</u>
Excess revenues over (under) expenditures	<u>431,576</u>	<u>(1,339,973)</u>	<u>3,106,387</u>	<u>4,447,081</u>
Other financing sources (uses):				
Sale of capital asset	-	-	8,043	8,043
Transfers in	-	78,027	78,201	-
Transfers out	(329,860)	(329,860)	(3,412,860)	(3,083,000)
Total other financing sources (uses)	<u>(329,860)</u>	<u>(329,860)</u>	<u>(3,326,616)</u>	<u>(3,074,957)</u>
Net change in fund balance	101,716	(1,669,833)	(220,229)	1,372,124
Fund balance - beginning of year			<u>2,989,074</u>	
Fund balance - end of year			<u>\$ 2,768,845</u>	

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, 2016

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenue	-	-	-	-
Charges for services	157,500	157,500	191,531	34,031
Fines and forfeitures	-	-	-	-
Investment earnings	-	-	2,134	2,134
Other	-	-	3,793	3,793
Total	<u>157,500</u>	<u>157,500</u>	<u>197,458</u>	<u>39,958</u>
Expenditures:				
General government	201,975	201,975	140,334	(61,641)
Public safety	-	-	-	-
Highways and public works	-	-	-	-
Parks and recreation	-	-	-	-
Capital expenditures	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total	<u>201,975</u>	<u>201,975</u>	<u>140,334</u>	<u>(61,641)</u>
Excess of revenues over (under) expenditures	<u>(44,475)</u>	<u>(44,475)</u>	<u>57,124</u>	<u>101,599</u>
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Bond issuance cost	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(44,475)	(44,475)	57,124	101,599
Fund balance - beginning of year			<u>330,677</u>	
Fund balance - end of year			<u>\$ 387,801</u>	

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, 2016

	Major Funds				Total
	Water Utility	Sewer Utility	Storm Drain Utility	Garbage Utility	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 9,816,887	\$ 4,155,553	\$ 1,147,100	\$ 104,004	\$ 15,223,544
Cash - restricted	2,787,320	-	-	-	2,787,320
Accounts receivable - net	386,437	347,357	51,534	108,510	893,838
Due from other funds	3,782,361	4,500	-	-	3,786,861
Inventory	18,477	-	-	-	18,477
Total current assets	16,791,482	4,507,410	1,198,634	212,514	22,710,040
Noncurrent assets:					
Pension assets	18	5	-	-	23
Capital assets:					
Water rights	15,774,479	-	-	-	15,774,479
Construction work in process	3,108	16,264	-	-	19,372
Water capacities	70,619,626	-	-	-	70,619,626
Culinary water system	18,553,685	-	-	-	18,553,685
Secondary water system	8,431,383	-	-	-	8,431,383
Sewer system	-	26,052,946	-	-	26,052,946
Storm drain system	-	-	23,007,747	-	23,007,747
Equipment	558,748	811,736	143,115	-	1,513,599
Less: Accumulated depreciation	(24,417,599)	(7,955,158)	(4,452,592)	-	(36,825,349)
Total capital assets	89,523,430	18,925,788	18,698,270	-	127,147,488
DEFERRED OUTFLOWS OF RESOURCES					
Pension related deferred outflows	155,085	36,612	-	-	191,697
Total	\$ 106,470,015	\$ 23,469,815	\$ 19,896,904	\$ 212,514	\$ 150,049,248
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 624,038	\$ 757,196	\$ 197,565	\$ 94,127	\$ 1,672,926
Due to other funds	3,838,461	47,607	47,607	-	3,933,675
Compensated absences	8,631	1,804	-	-	10,435
Customer deposits payable	127,340	8,498	-	-	135,838
Accrued interest payable	31,116	-	-	-	31,116
Bonds and contracts payable - current	1,604,000	-	-	-	1,604,000
Capital leases payable - current	1,985	-	-	-	1,985
Total current liabilities	6,235,571	815,105	245,172	94,127	7,389,975
Noncurrent liabilities:					
Compensated absences	9,222	2,408	-	-	11,630
Net pension liability	159,359	35,800	-	-	195,159
Bonds and contracts payable	21,334,540	-	-	-	21,334,540
Capital leases payable	998	-	-	-	998
Total noncurrent liabilities	21,504,119	38,208	-	-	21,542,327
Total liabilities	27,739,690	853,313	245,172	94,127	28,932,302
DEFERRED INFLOWS OF RESOURCES					
Pension deferred inflows	40,787	8,785	-	-	49,572
NET POSITION					
Net investment in capital assets	69,369,227	18,925,788	18,698,270	-	106,993,285
Unrestricted	9,320,311	3,681,929	953,462	118,387	14,074,089
Net position	78,689,538	22,607,717	19,651,732	118,387	121,067,374
Total	\$ 106,470,015	\$ 23,469,815	\$ 19,896,904	\$ 212,514	\$ 150,049,248

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, 2016

	Major Funds				Total
	Water Utility	Sewer Utility	Storm Drain Utility	Garbage Utility	
Operating revenue:					
Charges for services	\$ 4,372,041	\$ 3,176,051	\$ 439,906	\$ 961,029	\$ 8,949,027
Connection and other fees	2,483,335	244,552	-	-	2,727,887
Other	6,300	-	-	-	6,300
Total operating revenues	<u>6,861,676</u>	<u>3,420,603</u>	<u>439,906</u>	<u>961,029</u>	<u>11,683,214</u>
Operating expenses:					
Personnel services	523,942	126,129	74,072	-	724,143
Supplies and maintenance	971,750	1,260,031	76,264	70,596	2,378,641
Professional services	87,405	-	-	-	87,405
Administration	1,107,437	610,063	128,504	59,621	1,905,625
Power and pumping	446,767	55,436	6,742	-	508,945
Treatment and sanitation	323,885	1,334,324	-	929,560	2,587,769
Depreciation	2,580,753	811,065	615,769	-	4,007,587
Other	-	6,539	-	-	6,539
Total operating expenses	<u>6,041,939</u>	<u>4,203,587</u>	<u>901,351</u>	<u>1,059,777</u>	<u>12,206,654</u>
Operating income (loss)	<u>819,737</u>	<u>(782,984)</u>	<u>(461,445)</u>	<u>(98,748)</u>	<u>(523,440)</u>
Nonoperating revenue (expense):					
Investment earnings	64,350	23,657	4,118	100	92,225
Interest expense	(312,011)	-	-	-	(312,011)
Total nonoperating revenues (expenses)	<u>(247,661)</u>	<u>23,657</u>	<u>4,118</u>	<u>100</u>	<u>(219,786)</u>
Income (loss) before contributions and transfers	<u>572,076</u>	<u>(759,327)</u>	<u>(457,327)</u>	<u>(98,648)</u>	<u>(743,226)</u>
Capital contributions	13,686,713	2,359,017	1,723,560	-	17,769,290
Impact fees	3,612,075	1,254,607	518,594	-	5,385,276
Transfer out	(37,387)	-	-	-	(37,387)
Change in net position	17,833,477	2,854,297	1,784,827	(98,648)	22,373,953
Net position - beginning	<u>60,856,061</u>	<u>19,753,420</u>	<u>17,866,905</u>	<u>217,035</u>	<u>98,693,421</u>
Net position - ending	<u>\$78,689,538</u>	<u>\$ 22,607,717</u>	<u>\$19,651,732</u>	<u>\$ 118,387</u>	<u>\$ 121,067,374</u>

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

CITY OF SARATOGA SPRINGS
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Major Funds				Total
	Water Utility	Sewer Utility	Storm Drain Utility	Garbage Utility	
Cash flows from operating activities					
Receipts from customers	\$ 6,789,381	\$ 3,380,583	\$ 431,880	\$ 952,837	\$ 11,554,681
Payments to suppliers	(1,851,784)	(2,085,676)	68,613	(980,539)	(4,849,386)
Payment to employees	(525,859)	(124,397)	(74,072)	-	(724,328)
Payments for interfund services used	(1,107,437)	(610,063)	(128,504)	(59,621)	(1,905,625)
Net cash provided (used) by operating activities	<u>3,304,301</u>	<u>560,447</u>	<u>297,917</u>	<u>(87,323)</u>	<u>4,075,342</u>
Cash flows from noncapital financing activities					
Advances to other funds	363,032	-	-	-	363,032
Advance from other funds	(338,055)	-	(277,393)	-	(615,448)
Net cash provided (used) by noncapital financing activities	<u>24,977</u>	<u>-</u>	<u>(277,393)</u>	<u>-</u>	<u>(252,416)</u>
Cash flows from capital and related financing activities					
Purchases of capital assets	(544,106)	(779,617)	(478,942)	-	(1,802,665)
Proceeds of capital-type special assessments	3,612,075	1,254,607	518,594	-	5,385,276
Principal paid on capital lease and debt	(1,626,727)	-	-	-	(1,626,727)
Interest paid on capital lease and debt	(312,784)	-	-	-	(312,784)
Net cash provided (used) by capital and related financing activities	<u>1,128,458</u>	<u>474,990</u>	<u>39,652</u>	<u>-</u>	<u>1,643,100</u>
Cash flows from investing activities					
Interest and dividends received	64,350	23,657	4,118	100	92,225
Net cash provided (used) by investing activities	<u>64,350</u>	<u>23,657</u>	<u>4,118</u>	<u>100</u>	<u>92,225</u>
Net increase (decrease) in cash and cash equivalents	4,522,086	1,059,094	64,294	(87,223)	5,558,251
Cash and cash equivalents - beginning	8,089,892	3,053,495	1,050,905	191,228	12,385,520
Cash and cash equivalents (deficit) - ending	<u>\$12,611,978</u>	<u>\$ 4,112,589</u>	<u>\$ 1,115,199</u>	<u>\$ 104,005</u>	<u>\$ 17,943,771</u>
Cash and cash equivalents make up					
Cash and cash equivalents	9,816,887	4,155,553	1,147,100	104,004	15,223,544
Cash restricted	2,787,320	-	-	-	2,787,320
Total cash and cash equivalents - ending	<u>12,604,207</u>	<u>4,155,553</u>	<u>1,147,100</u>	<u>104,004</u>	<u>18,010,864</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income	\$ 819,737	\$ (782,984)	\$ (461,445)	\$ (98,748)	\$ (523,440)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization expense	2,580,753	811,065	615,769	-	4,007,587
(Increase)/decrease in accounts receivable	(83,105)	(49,654)	(8,026)	(8,192)	(148,977)
(Increase)/decrease in inventory	18,478	-	-	-	18,478
(Decrease)/increase in accounts payable	(40,455)	570,654	151,619	19,617	701,435
(Decrease)/increase in compensated absences	(1,917)	1,732	-	-	(185)
(Decrease)/increase in deposits payable	10,810	9,634	-	-	20,444
Total adjustments	<u>2,484,564</u>	<u>1,343,431</u>	<u>759,362</u>	<u>11,425</u>	<u>4,598,782</u>
Net cash provided (used) by operating activities	<u>\$ 3,304,301</u>	<u>\$ 560,447</u>	<u>\$ 297,917</u>	<u>\$ (87,323)</u>	<u>\$ 4,075,342</u>
Schedule of non-cash capital and related financing activities:					
Contribution of capital assets	\$13,686,713	\$ 2,359,017	\$ 1,723,560	\$ -	\$ 17,769,290

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

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

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.

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

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.)

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

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.

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

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

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

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. The General Fund is the only fund that reports a positive unassigned fund balance.

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

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, 2016, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ 37,509,630	85 days *	not rated
Total	\$ 37,509,630		

* Weighted-average maturity

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

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 Annotated*, 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 depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the 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, 2016 were \$3,374,700 of which \$3,124,700 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 \$159,053 at June 30, 2016.

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.

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

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, 2016 was \$2,787,320.

Note 3 - Accounts Receivable – Unearned Revenue

Accounts receivable are recorded net of the allowance for doubtful accounts of \$44,000 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, 2016 was as follows:

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 20,201,852	\$ -	\$ (53,554)	\$ 20,148,298
Construction in process	2,241,758	55,105	(1,897,436)	399,427
Total	<u>22,443,610</u>	<u>55,105</u>	<u>(1,950,990)</u>	<u>20,547,725</u>
Capital assets, being depreciated:				
Buildings	6,059,984		-	6,059,984
Machinery and equipment	4,910,506	372,903	-	5,283,409
Infrastructure	84,694,949	19,618,503	(9,524)	104,303,928
Total	<u>95,665,439</u>	<u>19,991,406</u>	<u>(9,524)</u>	<u>115,647,321</u>
Less accumulated depreciation for:				
Buildings	(1,473,934)	(286,481)	-	(1,760,415)
Machinery and equipment	(2,882,888)	(285,571)	-	(3,168,459)
Infrastructure	(36,745,857)	(4,673,319)	2,539	(41,416,637)
Total	<u>(41,102,679)</u>	<u>(5,245,371)</u>	<u>2,539</u>	<u>(46,345,511)</u>
Capital assets, being depreciated, net	<u>54,562,760</u>	<u>14,746,035</u>	<u>(6,985)</u>	<u>69,301,810</u>
	<u>\$ 77,006,370</u>	<u>\$ 14,801,140</u>	<u>\$ (1,957,975)</u>	<u>\$ 89,849,535</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ 53,554	\$ -	\$ 53,554
Water rights	15,699,176	75,311	-	15,774,487
Construction in progress	853,095	19,372	(853,094)	19,373
Total	<u>16,552,271</u>	<u>94,683</u>	<u>(853,094)</u>	<u>15,847,414</u>
Capital assets, being depreciated:				
Water capacity	10,950,988	-	-	10,950,988
Culinary water system	63,647,128	14,533,629	(11,984)	78,168,773
Secondary water irrigation system	8,117,962	313,421	-	8,431,383
Sewer system	22,940,187	3,112,760	-	26,052,947
Storm drain system	20,768,662	2,239,085	-	23,007,747
Equipment	1,482,299	31,302	-	1,513,601
Total	<u>127,907,226</u>	<u>20,230,197</u>	<u>(11,984)</u>	<u>148,125,439</u>
Less accumulated depreciation for:				
Water capacity	(5,638,893)	(547,549)	-	(6,186,442)
Culinary water system	(14,037,167)	(1,610,588)	2,397	(15,645,358)
Secondary water irrigation system	(1,801,805)	(401,788)	-	(2,203,593)
Sewer system	(6,847,229)	(755,667)	-	(7,602,896)
Storm drain system	(3,702,228)	(611,760)	-	(4,313,988)
Equipment	(792,855)	(80,233)	-	(873,088)
Total accumulated depreciation	<u>(32,820,177)</u>	<u>(4,007,585)</u>	<u>2,397</u>	<u>(36,825,365)</u>
Capital assets, being depreciated, net	<u>95,087,049</u>	<u>16,222,612</u>	<u>(9,587)</u>	<u>111,300,074</u>
Business-type activities capital assets, net	<u>\$ 111,639,320</u>	<u>\$ 16,317,295</u>	<u>\$ (862,681)</u>	<u>\$ 127,147,488</u>

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

Note 4 - Capital Assets – Continued

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

Governmental activities:

General government	\$ 240,571
Public safety	209,302
Highways and public works	3,277,020
Parks and recreation	1,518,478
Total depreciation expense - governmental activities	<u>\$ 5,245,371</u>

Business-type activities:

Water utility	\$ 2,580,752
Sewer utility	811,064
Storm drain utility	615,771
Total depreciation expense - business-type activities	<u>\$ 4,007,587</u>

Combined depreciation expense	<u>\$ 9,252,958</u>
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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 \$260,223 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.

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

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.

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

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	16.670%
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	20.390%
Firefighters System			
32 - Division B Tier 1	N/A	16.710 %	6.760%
132 - Division B Tier 2	N/A	N/A	10.750%

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

For fiscal year ended June 30, 2016, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 398,883	N/A
Public Safety System	279,168	-
Firefighters System	23,989	-
Tier 2 Public Employees System	112,743	-
Tier 2 Public Safety and Firefighter	57,161	-
Tier 2 DC Only System	2,376	N/A
Total Contributions	\$ 874,320	\$ -

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

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

Note 6 - Retirement Plans – Continued

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

At June 30, 2016, we reported a net pension asset of \$6,995 and a net pension liability of \$2,255,727.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.2668688%	\$0	\$1,510,073
Public Safety System	1.3970959%	\$0	\$681,715
Firefighters System	0.3757619%	\$0	\$63,939
Tier 2 Public Employees System	0.0886421%	\$194	\$0
Tier 2 Public Safety and Firefighter System	0.4654713%	<u>\$6,801</u>	<u>\$0</u>
Total Net Pension Asset/Liability		<u><u>\$6,995</u></u>	<u><u>\$2,255,727</u></u>

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2016, we recognized pension expense of \$498,859. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$120,260	\$133,747
Changes in assumptions	\$0	\$187,074
Net difference between projected and actual earnings on pension plan investments	\$892,121	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$20,593	\$19,304
Contributions subsequent to the measurement date	<u>\$456,713</u>	<u>\$0</u>
Total	<u><u>\$1,489,687</u></u>	<u><u>\$340,125</u></u>

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

Note 6 - Retirement Plans – Continued

\$456,713 was reported as deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

Year Ended December 31,	Deferred Outflows (inflows) of Resources
2016	\$167,465
2017	\$167,465
2018	\$168,950
2019	\$196,809
2020	(\$6,597)
Thereafter	(\$1,244)

Actual assumptions: The total pension liability in the December 31, 2015, 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

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:

Asset class	Expected Return Arithmetic Basis		
	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%

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

Note 6 - Retirement Plans – Continued

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.

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:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	3,190,635	1,510,073	107,141
Public Safety System	1,487,245	681,715	21,763
Firefighters System	505,485	63,939	(300,722)
Tier 2 Public Employees System	35,485	(194)	(27,235)
Tier 2 Public Safety and Firefighter	11,560	(6,801)	(219,953)
	<u>5,230,410</u>	<u>2,248,732</u>	<u>(419,006)</u>

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

Defined Contribution Savings Plan

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

City of Saratoga Springs participates in the following Defined Contribution Savings Plans with Utah Retirement Systems: 401(k) Plan, 457(b) Plan, Roth IRA Plan, and Traditional IRA Plan.

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

Note 6 - Retirement Plans – Continued

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

	<u>2016</u>		<u>2015</u>		<u>2014</u>
401(k) Plan					
Employer Contributions	\$ 403,660	\$	343,928	\$	287,319
Employee Contributions	\$ 113,748	\$	100,203	\$	77,033
457 Plan					
Employer Contributions	\$ -	\$	-	\$	-
Employee Contributions	\$ 38,996	\$	43,614	\$	44,277
Roth IRA Plan					
Employer Contributions	N/A		N/A		N/A
Employee Contributions	\$ 23,635	\$	13,771	\$	12,269
Traditional IRA					
Employer Contributions	N/A		N/A		N/A
Employee Contributions	\$ -	\$	-	\$	60

Note 7 - Interfund Transfers

Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2016 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities		
General	\$ 78,201	\$ 3,412,860
Capital Projects	3,543,046	171,000
Water Utilities	-	37,387
	<u>\$ 3,621,247</u>	<u>\$ 3,621,247</u>

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 \$1,810,199 to the enterprise funds for personnel and administrative services and facility costs during the year.

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

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, 2016 the City received \$989,228 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, 2016 was \$1,132,420.

Note 9 – Construction Commitments

The City has active construction projects as of June 30, 2016. The projects include construction of roads and utility system upgrades.

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>	<u>Estimated Completion</u>
All projects	\$ 9,735	\$417,506	June 2017

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.

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

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

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	Sewer Utility	Storm Drain Utility
Equipment	\$ 760,499	\$ 19,701	\$ -	\$ -
Accumulated depreciation	(462,341)	(19,701)	-	-
Total	<u>\$ 298,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

<u>Year Ending June 30</u>	Governmental Activities	Business Type Activities		
		Water Utility	Sewer Utility	Storm Drain Utility
2017	\$ 119,321	\$ 1,986	\$ -	\$ -
2018	84,277	997	-	-
2019	33,299	-	-	-
2020	1,106	-	-	-
2021	-	-	-	-
Total minimum lease payments	238,002	2,983	-	-
Less: amount representing interest	(18,419)	-	-	-
Present value of minimum lease payments	<u>\$ 219,583</u>	<u>\$ 2,983</u>	<u>\$ -</u>	<u>\$ -</u>

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.

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

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

Note 12 – Long-term Debt - Continued

A. Special Assessment Bonds - Continued

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	124,000	78,396	202,396
2018	126,000	75,919	201,919
2019	127,000	72,997	199,997
2020	130,000	57,242	187,242
2021	133,000	55,037	363,321
2022-2026	724,000	230,321	830,882
2027-2029	473,000	106,882	1,149,794
	<u>\$ 1,837,000</u>	<u>\$ 676,794</u>	<u>\$ 3,135,551</u>

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 2033. During the year the net revenue before depreciation was \$2,146,220 and the debt service requirement was \$692,425.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	465,000	228,275	693,275
2022-2026	2,490,000	971,176	3,461,176
2027-2031	2,885,000	580,513	3,465,513
2032-2033	1,970,000	105,001	2,075,001
	<u>\$ 9,575,000</u>	<u>\$ 2,888,115</u>	<u>\$ 12,463,115</u>

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

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 \$3,215,928 and the debt service requirement was \$290,800 or 10% of the sales tax revenue. The City has pledged all of its sales tax revenues. Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	165,000	125,587	290,587
2018	170,000	120,483	290,483
2019	175,000	113,667	288,667
2020	185,000	106,633	291,633
2021	190,000	99,217	289,217
2022-2026	1,065,000	386,366	1,451,366
2027-2031	1,300,000	158,710	1,458,710
Total	<u>\$3,250,000</u>	<u>\$ 1,110,663</u>	<u>\$ 4,360,663</u>

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 \$2,000, 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:

CITY OF SARATOGA
Notes to the Financial Statements
June 30, 2016

Note 12 – Long-term Debt - Continued

Year Ending June 30	Principal	Interest	Total Debt Service
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	1,050,000	-	1,050,000
2022-2026	5,250,000	-	5,250,000
2027-2028	1,026,540	-	1,026,540
	<u>\$ 11,526,540</u>	<u>\$ -</u>	<u>\$ 11,526,540</u>

D. Changes in Long-term Debt

During the year ended June 30, 2016, the following activity occurred in liabilities reported as long-term:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
2011 Sales Tax Revenue Bonds	\$ 3,410,000	\$ -	\$ (160,000)	\$ 3,250,000	\$ 165,000
Obligations Under Capital Lease	373,755	-	(154,172)	219,583	112,337
Compensated Absences	498,868	332,881	(325,321)	506,428	258,420
Total	<u>\$ 4,282,623</u>	<u>\$ 332,881</u>	<u>\$ (639,493)</u>	<u>\$ 3,976,011</u>	<u>\$ 535,757</u>
Business Type Activities:					
Debt					
2012 Special Assessment Bonds	1,957,000	-	(120,000)	1,837,000	124,000
2014 Water Revenue Bonds	9,995,000	-	(420,000)	9,575,000	430,000
Contract payable	12,658,960	-	(1,132,420)	11,526,540	1,050,000
Obligations Under Capital Lease	4,612	-	(1,629)	2,983	1,985
Compensated Absences	8,221	22,790	(8,945)	22,066	10,436
Total	<u>\$ 24,623,793</u>	<u>\$ 22,790</u>	<u>\$ (1,682,994)</u>	<u>\$ 22,963,589</u>	<u>\$ 1,616,421</u>

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Proportionate Share of the Net Pension Liability
SARATOGA SPRINGS CITY
Utah Retirement System
December 31, 2015
Last 10 Fiscal Years*

	Noncontributory System	Public Safety System	Firefighters System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Proportion of the net pension liability (asset)	0.2668688%	1.3970959%	0.3757619%	0.0886421%	0.4654713%
Proportionate share of the net pension liability (asset)	\$1,510,073	\$681,715	\$63,939	(\$194)	(\$6,801)
Covered employee payroll	\$2,164,610	\$1,149,462	\$316,691	\$572,836	\$276,945
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	69.76%	59.31%	20.19%	-0.03%	-2.46%
Plan fiduciary net position as a percentage of the total pension liability	87.80%	87.60%	98.10%	100.20%	110.70%

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

Schedule of Contributions
SARATOGA SPRINGS CITY
Utah State Retirement Systems
June 30, 2016

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2014	\$ 376,272	\$ 376,272	\$ -	\$ 2,181,974	17.24%
	2015	\$ 410,152	\$ 410,152	\$ -	\$ 2,234,890	18.35%
	2016	\$ 398,883	\$ 398,883	\$ -	\$ 2,159,626	18.47%
Public Safety System	2014	\$ 301,111	\$ 301,111	\$ -	\$ 1,134,533	26.54%
	2015	\$ 272,932	\$ 272,932	\$ -	\$ 1,138,990	23.96%
	2016	\$ 279,168	\$ 279,168	\$ -	\$ 1,175,484	23.75%
Firefighters System	2014	\$ 14,208	\$ 14,208	\$ -	\$ 233,012	6.10%
	2015	\$ 18,440	\$ 18,440	\$ -	\$ 279,810	6.59%
	2016	\$ 23,989	\$ 23,989	\$ -	\$ 355,634	6.75%
Tier 2 Public Employees System*	2014	\$ 30,095	\$ 30,095	\$ -	\$ 214,501	14.03%
	2015	\$ 57,532	\$ 57,532	\$ -	\$ 385,088	14.94%
	2016	\$ 112,743	\$ 112,743	\$ -	\$ 756,062	14.91%
Tier 2 Public Safety and Firefighter System*	2014	\$ 18,415	\$ 18,415	\$ -	\$ 129,851	14.18%
	2015	\$ 45,324	\$ 45,324	\$ -	\$ 264,244	17.15%
	2016	\$ 57,161	\$ 57,161	\$ -	\$ 341,321	16.75%
Tier 2 Public Employees DC Only System*	2014	\$ 1,163	\$ 1,163	\$ -	\$ 25,982	4.47%
	2015	\$ 2,254	\$ 2,254	\$ -	\$ 52,502	4.29%
	2016	\$ 2,376	\$ 2,376	\$ -	\$ 35,507	6.69%

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

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

Changes of Assumptions

The following assumption changes were adopted from the most recent actuarial experience study. There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also, there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.5% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the pre-retirement mortality assumption.

There were additional changes to certain demographic assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

Other information that is not required as part of RSI

This information below is not required as part of GASB 68 but is provided for informational purposes. The schedule below is a summary of the Defined Contribution Savings Plans for the pay periods January 1-December 31.

INDIVIDUAL FUND FINANCIAL STATEMENTS

CITY OF SARATOGA SPRINGS
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Capital Projects Fund - Budget and Actual
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	1,278,598	1,278,598
Impact fees	1,650,000	1,650,000	3,109,047	1,459,047
Investment earnings	-	-	50,860	50,860
Miscellaneous	-	-	-	-
Total	<u>1,650,000</u>	<u>1,650,000</u>	<u>4,438,505</u>	<u>2,788,505</u>
Expenditures:				
General government	-	-	-	-
Public safety	-	824,737	8,121	(816,616)
Highways and public works	5,831,381	5,831,381	3,937,779	(1,893,602)
Parks and recreation	2,907,326	2,907,326	2,488,643	(418,683)
Capital expenditures	5,339,819	5,339,819	2,319,328	(3,020,491)
Total	<u>14,078,526</u>	<u>14,903,263</u>	<u>8,753,871</u>	<u>(6,149,392)</u>
Excess of revenues over (under) expenditures	<u>(12,428,526)</u>	<u>(13,253,263)</u>	<u>(4,315,366)</u>	<u>8,937,897</u>
Other financing sources (uses):				
Transfers in	3,697,046	3,697,046	3,543,046	(154,000)
Transfers out	-	-	(171,000)	(171,000)
Total other financing sources (uses)	<u>3,697,046</u>	<u>3,697,046</u>	<u>3,372,046</u>	<u>(325,000)</u>
Net change in fund balance	(8,731,480)	(9,556,217)	(943,320)	8,612,897
Fund balance - beginning of year			<u>13,435,477</u>	
Fund balance - end of year			<u><u>\$ 12,492,157</u></u>	

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

STATISTICAL SECTION

The Statistical Section presents detailed comparative data to assist with understanding what the information in the financial statements, note disclosures, and required supplementary information express about the government's overall financial health.

Financial Trends

Those schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules contain information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: unless otherwise noted, the information in these schedules is derived from the financial statements for the relevant year. The city implemented GASB 34 in 2004; schedules presenting government-wide information include information beginning in that year.

Schedule 1
CITY OF SARATOGA SPRINGS
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities:										
Invested in capital assets, net of related debt	\$ 71,195,926	\$ 79,015,924	\$ 80,964,663	\$ 72,879,872	\$ 74,023,634	\$ 75,648,247	\$ 72,106,589	\$ 74,598,446	\$ 73,222,615	\$ 86,379,952
Restricted	8,446,142	10,597,938	9,436,161	5,418,579	6,879,966	7,890,183	600,591	95,687	-	-
Unrestricted	967,824	342,310	1,411,862	2,384,845	2,636,561	4,941,530	15,171,267	15,320,390	17,070,401	16,492,718
Total governmental activities										
Net assets	<u>\$ 80,609,892</u>	<u>\$ 89,956,172</u>	<u>\$ 91,812,686</u>	<u>\$ 80,683,296</u>	<u>\$ 83,540,161</u>	<u>\$ 88,479,960</u>	<u>\$ 87,878,447</u>	<u>\$ 90,014,523</u>	<u>\$ 90,293,016</u>	<u>\$ 102,872,670</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 57,048,125	\$ 62,062,064	\$ 62,465,261	\$ 80,299,189	\$ 79,011,572	\$ 80,775,067	\$ 79,532,232	\$ 83,658,220	\$ 87,124,624	\$ 104,205,965
Restricted	4,568,662	3,020,674	1,299,971	2,156,528	3,487,439	5,079,787	-	-	2,814,571	2,787,320
Unrestricted	53,505	1,526,777	3,178,868	2,166,007	2,429,896	1,733,791	8,867,434	8,122,994	8,754,227	14,074,089
Total business-type activities										
Net assets	<u>\$ 61,670,292</u>	<u>\$ 66,609,515</u>	<u>\$ 66,944,100</u>	<u>\$ 84,621,724</u>	<u>\$ 84,928,907</u>	<u>\$ 87,588,645</u>	<u>\$ 88,399,666</u>	<u>\$ 91,781,214</u>	<u>\$ 98,693,422</u>	<u>\$ 121,067,374</u>
Primary government:										
Invested in capital assets, net of related debt	\$ 128,244,051	\$ 141,077,988	\$ 143,429,924	\$ 153,179,061	\$ 153,035,206	\$ 156,423,314	\$ 151,638,821	\$ 158,256,666	\$ 160,347,239	\$ 190,585,917
Restricted	13,014,804	13,618,612	10,736,132	7,575,107	10,367,405	12,969,970	600,591	95,687	2,814,571	2,787,320
Unrestricted	1,021,329	1,869,087	4,590,730	4,550,852	5,066,457	6,675,321	24,038,701	23,443,384	25,824,628	30,566,807
Total primary government										
Net assets	<u>\$ 142,280,184</u>	<u>\$ 156,565,687</u>	<u>\$ 158,756,786</u>	<u>\$ 165,305,020</u>	<u>\$ 168,469,068</u>	<u>\$ 176,068,605</u>	<u>\$ 176,278,113</u>	<u>\$ 181,795,737</u>	<u>\$ 188,986,438</u>	<u>\$ 223,940,044</u>

Schedule 2
CITY OF SARATOGA SPRINGS
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
EXPENSES										
Governmental Activities:										
General Government	\$ 1,638,279	\$ 1,611,513	\$ 1,199,630	\$ 1,292,510	\$ 1,291,631	\$ 1,998,497	\$ 2,609,093	\$ 2,171,825	\$ 2,096,762	\$ 2,462,795
Public Safety	3,352,802	3,318,850	3,010,953	3,669,436	4,651,168	4,833,686	4,960,936	5,018,488	5,240,399	6,012,919
Highways and Public Improvements	3,038,959	4,401,040	5,479,252	3,126,167	3,364,997	4,022,464	4,722,390	2,666,666	5,384,522	5,966,661
Parks and Recreation	834,999	1,421,153	1,784,119	1,614,955	1,738,032	1,899,678	2,438,028	2,635,964	2,701,630	2,023,421
Economic Development	880	1,425	3,168	-	-	-	-	-	-	-
Interest on Long-Term Debt	100,180	109,232	95,006	27,858	47,519	157,437	146,800	142,332	137,882	133,171
Total Governmental Activities	<u>8,966,099</u>	<u>10,863,213</u>	<u>11,572,128</u>	<u>9,730,926</u>	<u>11,093,347</u>	<u>12,911,762</u>	<u>14,877,247</u>	<u>12,635,275</u>	<u>15,561,195</u>	<u>16,598,967</u>
Business-type Activities:										
Water Utility	2,626,163	3,726,377	3,485,076	3,940,978	4,286,081	4,649,685	5,102,548	5,001,698	5,477,856	6,353,950
Sewer Utility	1,161,951	1,551,185	1,588,786	1,766,075	2,043,128	2,434,510	2,833,924	3,005,658	3,244,648	4,203,587
Garbage Utility	458,001	579,672	625,307	649,154	633,551	702,476	822,106	1,028,024	1,080,662	1,059,777
Storm Drain Utility	-	-	-	467,758	470,700	756,772	691,410	880,773	908,198	901,351
Total Business-type Activities	<u>4,246,115</u>	<u>5,857,234</u>	<u>5,699,169</u>	<u>6,823,965</u>	<u>7,433,460</u>	<u>8,543,443</u>	<u>9,449,988</u>	<u>9,916,153</u>	<u>10,711,364</u>	<u>12,518,665</u>
Total Primary Government Expenses	<u>\$ 13,212,214</u>	<u>\$ 16,720,447</u>	<u>\$17,271,297</u>	<u>\$ 16,554,891</u>	<u>\$ 18,526,807</u>	<u>\$ 21,455,205</u>	<u>\$24,327,235</u>	<u>\$ 22,551,428</u>	<u>\$ 26,272,559</u>	<u>\$ 29,117,632</u>
REVENUES										
Governmental Activities:										
Charges for Services										
General Government	\$ 2,616,829	\$ 1,340,052	\$ 643,604	\$ 893,642	\$ 734,865	\$ 2,473,625	\$ 4,081,953	\$ 2,778,204	\$ 3,379,235	\$ 4,985,682
Public Safety	419,557	295,758	414,455	500,334	715,131	1,894,515	1,039,947	1,101,415	1,214,388	1,372,884
Highways and Public Improvements	-	-	-	-	-	1,179,069	1,268,709	1,105,971	1,541,709	1,641,262
Parks and Recreation	55,750	874,933	103,641	128,501	150,558	888,193	886,054	652,831	2,519,097	2,555,462
Operating Grants and Contributions	322,409	400,110	387,031	713,486	1,719,874	1,118,658	172,388	123,870	764,283	239,028
Capital Grants and Contributions	26,048,845	13,586,365	6,883,169	5,754,442	5,740,308	2,664,043	672,095	2,502,760	1,545,870	10,796,710
Total Governmental Activities	<u>29,463,390</u>	<u>16,497,218</u>	<u>8,431,900</u>	<u>7,990,405</u>	<u>9,060,736</u>	<u>10,218,103</u>	<u>8,121,146</u>	<u>8,265,051</u>	<u>10,964,582</u>	<u>21,591,028</u>
Business-type Activities:										
Charges for Services										
Water Utility	1,192,492	1,366,764	1,430,353	1,944,116	2,222,973	6,393,708	6,154,942	5,976,789	6,512,923	10,473,751
Sewer Utility	863,291	890,102	1,290,128	1,671,891	1,970,431	2,488,427	2,674,392	2,720,120	3,047,088	4,675,210
Garbage Utility	480,279	585,684	668,184	679,208	745,432	596,706	639,307	893,984	641,802	961,029
Storm Drain Utility	-	-	-	145,373	148,947	808,855	895,505	579,827	913,322	958,500
Capital Grants and Contributions	16,209,498	8,318,095	2,877,659	5,724,324	2,223,380	1,238,142	-	3,070,714	6,587,528	17,769,290
Total Business-type Activities	<u>18,745,560</u>	<u>11,160,645</u>	<u>6,266,324</u>	<u>10,164,912</u>	<u>7,311,163</u>	<u>11,525,838</u>	<u>10,364,146</u>	<u>13,241,434</u>	<u>17,702,663</u>	<u>34,837,780</u>
Total Primary Government Revenues	<u>\$ 48,208,950</u>	<u>\$ 27,657,863</u>	<u>\$14,698,224</u>	<u>\$ 18,155,317</u>	<u>\$ 16,371,899</u>	<u>\$ 21,743,941</u>	<u>\$18,485,292</u>	<u>\$ 21,506,485</u>	<u>\$ 28,667,245</u>	<u>\$ 56,428,808</u>
Net (Expense)/Revenue:										
Governmental Activities	\$ 20,497,291	\$ 5,634,005	\$(3,140,228)	\$(1,740,521)	\$(2,032,611)	\$(2,693,659)	\$(6,756,101)	\$(4,370,224)	\$(4,596,613)	\$ 4,992,061
Business-type Activities	14,499,445	5,303,411	567,155	3,340,947	(122,297)	2,982,395	914,158	3,325,281	6,991,299	22,319,115
Total Primary Government Net Expense	<u>\$ 34,996,736</u>	<u>\$ 10,937,416</u>	<u>\$(2,573,073)</u>	<u>\$ 1,600,426</u>	<u>\$(2,154,908)</u>	<u>\$ 288,736</u>	<u>\$(5,841,943)</u>	<u>\$(1,044,943)</u>	<u>\$ 2,394,686</u>	<u>\$ 27,311,176</u>

Schedule 2 - Continued
CITY OF SARATOGA SPRINGS
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
EXPENSES										
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property Taxes	\$ 737,174	\$ 785,703	\$ 2,304,884	\$ 2,442,112	\$ 2,395,277	\$ 2,758,185	\$ 2,659,844	\$ 2,686,612	\$ 2,844,496	\$ 2,969,689
Sales and Use Taxes	868,029	1,246,985	1,495,027	1,723,051	1,881,168	2,162,610	2,360,544	2,653,278	2,939,653	3,215,928
Franchise Fees	131,526	141,716	193,385	158,393	227,207	212,494	199,838	221,085	207,142	212,144
Energy Taxes	314,617	450,148	480,352	549,691	632,865	655,845	793,113	870,992	877,695	953,656
Interest Earnings	561,210	508,018	223,094	56,812	98,172	73,233	89,897	74,332	89,800	190,746
Gain on Sale of Capital Assets	-	-	-	-	34,787	-	51,352	-	15,799	8,043
Other	-	579,705	300,000	(14,318,928)	(380,000)	309,789	-	-	-	37,387
Total Governmental Activities	<u>2,612,556</u>	<u>3,712,275</u>	<u>4,996,742</u>	<u>(9,388,869)</u>	<u>4,889,476</u>	<u>6,172,156</u>	<u>6,154,588</u>	<u>6,506,299</u>	<u>6,974,585</u>	<u>7,587,593</u>
Business-Type Activities:										
Interest Earnings	234,830	215,517	67,430	17,749	49,480	57,343	45,004	56,267	109,205	92,225
Other	-	(579,705)	(300,000)	14,318,928	380,000	6,569	-	-	-	(37,387)
Total Business-Type Activities	<u>234,830</u>	<u>(364,188)</u>	<u>(232,570)</u>	<u>14,336,677</u>	<u>429,480</u>	<u>63,912</u>	<u>45,004</u>	<u>56,267</u>	<u>109,205</u>	<u>54,838</u>
Total Primary Government										
General Revenue	<u>\$ 2,847,386</u>	<u>\$ 3,348,087</u>	<u>\$ 4,764,172</u>	<u>\$ 4,947,808</u>	<u>\$ 5,318,956</u>	<u>\$ 6,236,068</u>	<u>\$ 6,199,592</u>	<u>\$ 6,562,566</u>	<u>\$ 7,083,790</u>	<u>\$ 7,642,431</u>
Change in Net Assets:										
Governmental Activities	\$ 23,109,847	\$ 9,346,280	\$ 1,856,514	\$ (11,129,390)	\$ 2,856,865	\$ 4,559,799	\$ (601,513)	\$ 2,136,075	\$ 2,377,972	\$ 12,579,654
Business-Type Activities	14,734,275	4,939,223	334,585	17,677,624	307,183	3,039,738	959,162	3,381,548	7,100,504	22,373,953
Total Primary Government	<u>\$ 37,844,122</u>	<u>\$ 14,285,503</u>	<u>\$ 2,191,099</u>	<u>\$ 6,548,234</u>	<u>\$ 3,164,048</u>	<u>\$ 7,599,537</u>	<u>\$ 357,649</u>	<u>\$ 5,517,623</u>	<u>\$ 9,478,476</u>	<u>\$ 34,953,607</u>

Schedule 3
CITY OF SARATOGA SPRINGS
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:										
Unreserved, undesignated	\$ 637,523	\$ 200,514	\$ 767,756	\$ 1,601,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	-	-	1,782,816	2,478,911	2,508,347	2,068,425	2,989,076	2,768,845
All other governmental funds:										
Reserved:										
Roads and impact fees	-	-	-	-	-	-	-	-	-	-
Roads and capital improvements	7,777,648	810,413	170,162	6,048,717	-	-	-	-	-	-
Advance to sewer fund	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated:										
Special revenue funds	48,571	58,141	100,783	163,926	-	-	-	-	-	-
Capital Project Fund	913,673	9,764,797	9,302,490	(387,641)	-	-	-	-	-	-
Nonspendable - prepaid expenses:	-	-	-	-	22,459	7,628	6,277	737	-	-
Restricted:										
Capital project funds	-	-	-	-	7,373,476	7,271,642	-	-	-	-
General fund	-	-	-	-	-	610,913	600,591	95,687	-	-
Committed:										
Capital project funds	-	-	-	-	-	-	10,946,127	11,783,336	13,435,477	12,492,157
Assigned:										
Capital project funds	-	-	-	-	1,713,820	1,406,121	-	-	-	-
Street lighting	-	-	-	-	249,453	305,725	282,980	328,151	330,677	387,801
Total all other governmental funds	\$ 8,739,892	\$ 10,633,351	\$ 9,573,435	\$ 5,825,002	\$ 9,359,208	\$ 9,602,029	\$ 11,835,975	\$ 12,207,911	\$ 13,766,154	\$ 12,879,958

Schedule 4
CITY OF SARATOGA SPRINGS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:										
Taxes	\$ 2,040,986	\$ 2,553,945	\$ 4,073,541	\$ 4,804,683	\$ 5,240,234	\$ 5,789,134	\$ 5,988,153	\$ 6,320,529	\$ 6,692,613	\$ 7,141,996
Licenses and Permits	865,624	516,266	228,197	301,258	321,571	563,917	648,974	583,374	749,910	1,231,004
Intergovernmental	627,459	409,345	363,569	4,138,356	1,799,494	1,063,618	844,483	2,626,630	2,310,153	1,114,882
Fees/Charges for Services	5,928,566	3,559,163	2,267,583	2,501,208	2,506,678	5,589,526	6,545,780	4,975,201	7,429,506	8,699,519
Fines and forfeitures	-	-	-	-	-	-	-	-	427,554	514,587
Developer Contributions	5,280	778,060	-	-	-	-	-	-	-	-
Interest Earnings	561,210	508,018	223,094	56,812	98,172	66,551	89,897	74,332	89,800	190,746
Other	5,115	40,719	29,966	203,803	2,041,161	534,896	81,909	79,846	47,459	110,180
Total Revenues	\$ 10,034,240	\$ 8,365,516	\$ 7,185,950	\$ 12,006,120	\$ 12,007,310	\$ 13,607,642	\$ 14,199,196	\$ 14,659,912	\$ 17,746,995	\$ 19,002,914
Expenditures:										
General Government	\$ 1,718,133	\$ 1,614,753	\$ 1,137,079	\$ 1,211,931	\$ 1,256,561	\$ 1,919,556	\$ 2,294,465	\$ 2,118,559	\$ 2,266,424	\$ 2,345,329
Public Safety	3,765,665	3,169,752	2,915,047	5,122,624	4,613,424	4,582,135	5,229,313	5,295,083	5,724,366	6,276,346
Highways and Public Improvements	3,269,729	2,280,268	2,743,826	6,304,986	2,464,024	3,545,121	2,521,683	1,589,359	2,003,657	4,959,389
Parks and Recreation	1,393,201	578,584	830,865	1,627,197	2,264,012	2,665,475	953,329	1,379,264	2,777,486	3,961,206
Capital Expenditures	-	-	-	-	-	-	533,463	4,135,524	2,339,204	2,319,328
Economic Development	880	920	-	-	-	-	-	-	-	-
Debt Service:										
Capital Lease Payments	236,627	404,811	351,807	324,228	1,405,289	365,282	163,113	129,099	-	-
Principal retirement	-	-	-	-	-	140,000	145,000	150,000	155,000	160,000
Interest and fiscal charges	-	-	-	-	114,617	151,000	146,800	142,332	137,882	133,171
Total Expenditures	\$ 10,384,235	\$ 8,049,088	\$ 7,978,624	\$ 14,590,966	\$ 12,117,927	\$ 13,368,569	\$ 11,987,166	\$ 14,939,220	\$ 15,404,019	\$ 20,154,769
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	\$ (349,995)	\$ 316,428	\$ (792,674)	\$ (2,584,846)	\$ (110,617)	\$ 239,073	\$ 2,212,030	\$ (279,308)	\$ 2,342,976	\$ (1,151,855)
Other Financing Sources (Uses):										
Proceeds From Obligations Under Capital Leases	\$ 760,119	\$ 534,135	\$ -	\$ 69,021	\$ 21,400	\$ 119,100	\$ -	\$ 211,322	\$ 120,119	\$ -
Proceeds from the Sale of Capital Assets	-	26,182	-	-	50,050	200,743	51,352	-	15,799	8,043
Issuance of Sales Tax Revenue Bonds	-	-	-	-	4,000,000	-	-	-	-	-
Bond Premium	-	-	-	-	134,193	-	-	-	-	-
Transfers In	503,677	1,493,351	300,000	-	750,130	2,538,216	2,428,616	2,231,485	1,344,074	3,621,247
Transfers Out	(503,677)	(913,646)	-	(398,368)	(1,130,130)	(2,538,216)	(2,428,616)	(2,231,485)	(1,344,074)	(3,583,860)
Total Other Financing Sources (Uses)	\$ 760,119	\$ 1,140,022	\$ 300,000	\$ (329,347)	\$ 3,825,643	\$ 319,843	\$ 51,352	\$ 211,322	\$ 135,918	\$ 45,430
Net Change in Fund Balances	\$ 410,124	\$ 1,456,450	\$ (492,674)	\$ (2,914,193)	\$ 3,715,026	\$ 558,916	\$ 2,263,382	\$ (67,986)	\$ 2,478,894	\$ (1,106,425)
Debt service as a percentage of noncapital	2%	5%	5%	2%	14%	5%	4%	4%	2%	2%

Schedule 5
CITY OF SARATOGA SPRINGS
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	Property Tax	Sales and Use Tax	Franchise Fees	Energy Taxes	Total
2007	737,174	868,029	131,526	-	1,736,729
2008	785,703	1,246,985	141,716	450,148	2,624,552
2009	2,304,884	1,495,027	193,385	480,352	4,473,648
2010	2,442,112	1,723,051	158,393	549,691	4,873,247
2011	2,395,277	1,881,168	227,207	632,865	5,136,517
2012	2,758,185	2,162,610	212,494	655,845	5,789,134
2013	2,659,844	2,360,544	199,838	793,113	6,013,339
2014	2,686,612	2,653,278	221,085	870,992	6,431,967
2015	2,844,496	2,939,653	207,142	877,695	6,868,986
2016	\$ 2,668,123	\$ 2,939,653	\$ 207,142	\$ 877,695	\$ 6,692,613
Change: 2007-2016	261.9%	238.7%	57.5%		285.4%

Schedule 6
CITY OF SARATOGA SPRINGS
Assessed Value of Taxable Property Excluding Fee-In-Lieu
Last Ten Calendar Years
(Modified Accrual Basis of Accounting)

Calendar Year	Residential Property	Commercial Property	Miscellaneous Property	Total Assessed Value	Total Taxable Assessed Value	Total Direct Tax Rate
2006	403,813,760	36,579,918	24,902,808	465,296,486	446,676,129	0.001331
2007	703,649,723	45,666,410	46,532,533	795,848,666	770,569,048	0.000933
2008	932,667,853	62,553,999	49,865,634	1,045,087,486	1,017,244,323	0.002019
2009	761,281,348	108,869,886	54,449,296	924,600,530	895,096,173	0.002436
2010	677,853,887	112,726,260	56,471,741	847,051,888	818,019,054	0.002744
2011	613,123,034	104,439,630	39,673,599	757,236,263	744,534,001	0.003120
2012	554,081,621	88,261,615	134,695,645	777,038,881	763,106,508	0.003054
2013	625,910,515	90,163,478	115,855,901	831,929,894	818,244,896	0.002761
2014	826,502,262	111,913,600	766,397,289	1,704,813,151	969,656,009	0.011925
2015	\$ 892,160,029	\$ 91,446,400	\$ 139,318,209	\$ 1,155,908,456	\$ 1,885,166,371	0.011763

Source: Utah State Tax Commission and Utah County Treasurer
<http://propertytax.utah.gov/library/pdf/statistics/2014yevaluebyentity.pdf>

Schedule 7
CITY OF SARATOGA SPRINGS
Assessed Value of Taxable Property Including Fee-In-Lieu
Last Ten Calendar Years
(Modified Accrual Basis of Accounting)

Calendar Year	Residential Property	Commercial Property	Miscellaneous Property	Fee-In-Lieu Value	Total Assessed Value
2006	403,813,760	36,579,918	24,902,808	752,668	466,049,154
2007	703,649,723	45,666,410	46,532,533	510,286	796,358,952
2008	932,667,853	62,553,999	49,865,634	347,430	1,045,434,916
2009	761,281,348	108,869,886	54,449,296	440,075	925,040,605
2010	677,853,887	112,726,260	56,471,741	503,524	847,555,412
2011	613,123,034	104,439,630	39,673,599	190,534	757,426,797
2012	554,081,621	88,261,615	134,695,645	208,986	777,247,867
2013	625,910,515	90,163,478	115,855,901	15,136,367	847,066,261
2014	826,505,262	111,913,600	31,237,187	15,728,392	969,656,099
2015	\$ 892,160,029	\$ 91,446,400	\$ 139,318,209	\$ 15,640,297	\$ 1,155,908,456

Source: Utah State Tax Commission

Schedule 8
CITY OF SARATOGA SPRINGS
Taxable Sales by Category
Last Five Calendar Years

	Calendar Year				
	2011	2012	2013	2014	2015
Retail trade	\$ 93,191,165	\$ 103,118,541	\$ 112,342,890	\$ 113,167,547	\$ 120,193,315
Accommodation and food service	11,289,591	13,542,661	16,782,513	20,963,103	23,056,127
Utilities	9,528,834	10,384,850	12,491,830	12,964,613	13,545,560
Information	6,295,409	7,266,740	8,205,139	9,472,286	9,232,412
Wholesale trade	1,501,921	3,172,489	2,179,487	2,481,843	7,257,027
Motor vehicle sales tax	5,105,906	5,214,109	5,901,951	6,435,003	6,346,056
Other services	714,733	2,387,363	2,123,710	2,342,173	3,142,629
Miscellaneous sales tax	266,213	1,839,127	1,153,018	1,929,795	2,323,817
All other industries	13,437,761	5,534,666	9,171,516	5,360,641	6,575,124
Total	\$ 141,331,533	\$ 152,460,546	\$ 170,352,054	\$ 175,117,004	\$ 191,672,067
City direct sales tax rate	2.20%	2.20%	2.20%	2.20%	2.20%

Source: Utah State Tax Commission website: Wasatch Front Zip Code Taxable Sales by Major Industry.

<http://www.tax.utah.gov/billing/recordkeeping?id=303>

Schedule 9
CITY OF SARATOGA SPRINGS
Direct and Overlapping Property Tax Rates
Last Ten Calendar Years
(Rate per \$1,000 of Assessed Value)

Calendar Year	(a) City Direct Rate	Utah County Levy	Local Assessment Levy	State Assessment/ Collecting	Cent Utah Levy	Alpine School District	Levy for Saratoga Springs Residents
2006	0.001331	0.001079	0.000044	0.000139	0.000357	0.006883	0.009833
2007	0.000933	0.000843	0.000036	0.000121	0.000302	0.006937	0.009172
2008	0.002019	0.000809	0.000175	0.000121	0.000286	0.007057	0.010467
2009	0.002436	0.000878	0.000183	0.000142	0.000400	0.007541	0.011580
2010	0.002744	0.001108	0.000024	0.000162	0.000421	0.008220	0.012679
2011	0.003120	0.001143	0.000027	0.000172	0.000436	0.008812	0.013710
2012	0.003054	0.001127	0.000029	0.000168	0.000455	0.008828	0.013661
2013	0.002761	0.001006	0.000095	0.000158	0.000474	0.008699	0.013193
2014	0.002233	0.000916	0.000220	0.000013	0.000447	0.008096	0.011925
2015	0.002083	0.000870	0.000283	0.000228	0.000405	0.008177	0.011763

(a) The city has only one rate

Source: Utah County Assessors Office.

<http://www.utahcounty.gov/dept/treas/tax rates.asp>

Schedule 10
CITY OF SARATOGA SPRINGS
Direct and Overlapping Sales Tax Rate
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Utah County</u>	<u>State of Utah</u>	<u>Total</u>
2007	1.00	0.25	4.75	6.00
2008	1.25	0.25	4.75	6.25
2009	1.25	0.25	4.70	6.20
2010	1.80	0.25	4.70	6.75
2011	1.80	0.25	4.70	6.75
2012	1.80	0.25	4.70	6.75
2013	1.80	0.25	4.70	6.75
2014	1.80	0.25	4.70	6.75
2015	1.80	0.25	4.70	6.75
2016	1.80	0.25	4.70	6.75

Source: Utah State Tax Commission

Schedule 11
CITY OF SARATOGA SPRINGS
Principal Property Taxpayers
Current and previous year

Taxpayer	2014			2015		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart	\$ 15,500,000	1	1.34%	\$ 15,262,500	1	1.57%
Scott McLachlan	15,359,765	2	1.33%	14,466,215	2	1.49%
Aldara Apartment Associates	14,840,540	3	1.28%	19,417,365	3	2.00%
SCP Fox Hollow	8,486,900	4	0.73%	10,000,600	4	1.03%
Pacificorp	7,299,996	6	0.63%	8,581,310	5	0.88%
Questar Gas	7,150,992	7	0.62%	9,695,430	6	1.00%
Wasatch Land Company	-	0	0.00%	8,683,960	7	0.90%
Woodside Homes of Utah LLC	-	-	0.00%	8,582,240	8	0.89%
D R Horton Inc	-	-	0.00%	8,160,786	9	0.84%
Stations West Saratoga LLC	-	-	0.00%	8,042,200	10	0.83%
Stations West	7,666,700	5	0.66%	-		0.00%
Saratoga Self-Storage	3,582,700	8	0.31%	-		0.00%
Cougars Rock Investments	3,526,500	9	0.31%	-		0.00%
Towne Storage	3,253,365	10	0.28%	-		0.00%
	\$ 86,667,458			\$110,892,606		

Source: Utah County Treasurer and City Finance Department
Note: No other information available at this time.

Schedule 12
CITY OF SARATOGA SPRINGS
City Tax Revenue Collected by Utah County
Last Ten Calendar Years

Tax Year End December 31	Total Taxes Levied	Treasurer's Relief (1)	Net Taxes Assessed	Current Collections	Delinquent, Personal Property, and Misc. Collections (2)	Total Collections	% of Current Collections to Net Taxes Assessed
2006	606,342	32,254	574,088	531,510	191,661	723,171	92.58%
2007	719,417	10,406	709,011	579,792	159,660	739,452	81.77%
2008	2,054,518	38,475	2,016,043	1,468,836	270,146	1,738,982	72.86%
2009	2,181,526	7,717	2,173,809	1,763,228	543,549	2,306,777	81.11%
2010	2,246,026	14,729	2,231,297	1,934,821	520,414	2,455,235	86.71%
2011	2,322,946	19,180	2,303,766	2,079,374	575,767	2,655,141	90.26%
2012	2,330,527	15,364	2,315,163	2,134,668	678,428	2,813,096	92.20%
2013	2,300,968	151,612	2,149,356	2,007,713	226,980	2,234,693	93.41%
2014	2,888,902	156,192	2,132,709	2,551,376	193,021	2,592,072	93.32%
2015	\$ 2,409,970	\$ 111,248	\$ 2,292,722	\$ 2,181,066	\$ 145,890	\$ 2,699,813	95.13%

Source: Utah County Treasurer

(1) "Treasurer's Relief" includes abatements. These "Treasurer's Relief" items are levied against the property, but are never collected and paid to the City.

(2) "Delinquent, Personal Property, and Miscellaneous Collections" include interest, sales of real and personal property, and miscellaneous delinquent.

Schedule 13
CITY OF SARATOGA SPRINGS
Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Sales Tax Revenue Bonds	Capital Leases	Water Interim Warrant Certificate	Water Revenue Bonds	Special Assessment Bonds	Culinary Water System Contract Payable	Capital Leases			
2007	-	2,217,921 (6)	2,675,534 (7)	4,717,595 (8)	-	18,164,750	91,608	27,867,408	10.63%	2,479
2008	-	2,455,702	6,122,986	5,048,595	-	17,306,750	127,143	31,061,176	9.66%	2,382
2009	-	2,199,243	6,122,986	4,842,595	-	16,942,750	81,172	30,188,746	7.82%	2,041
2010	-	1,895,779	- (9)	5,458,595	4,669,539 (9)	16,460,750	100,914	28,585,577	6.41%	1,731
2011	4,000,000 (10)	549,948 (10)	-	5,193,000	4,601,000	15,971,500	68,123	30,383,571	6.73%	1,709
2012	3,860,000	382,431	-	4,918,000	3,114,374 (11)	15,003,460	37,974	27,316,239	6.07%	1,526
2013	3,835,270	294,004	-	4,634,000	2,896,000	13,946,960	17,264	25,623,498	4.58%	1,212
2014	3,565,000	376,227 (12)	-	4,340,000	2,110,000	13,334,960	6,325	23,732,512	Unavailable	Unavailable
2015	3,410,000	373,755 (13)	-	9,995,000 (13)	1,957,000	12,658,960	4,612	28,399,327	5.77%	1,166
2016	\$ 3,250,000	\$ 219,583		\$ 9,575,000	\$ 1,837,000	\$ 11,526,540	\$ 2,983	\$ 26,411,106	5.12%	922

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 17 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

(6) The City entered into capital lease agreements for a dump truck, a street sweeper, an ambulance, and police vehicles for \$625,000 in fiscal year 2007.

(7) The City issued an Interim Warrant Certificate for \$6,000,000 in fiscal year 2007, but had drawn only \$2,675,534 as of June 30, 2007.

(8) The City drew the remaining \$2,900,000 of the Water Revenue Bonds Series 2006.

(9) The City issued Special Assessment Bonds Series 2009 for \$4,669,539 and retired the Interim Warrant Certificate in fiscal year 2010.

(10) The City issued Sales Tax Revenue Bonds Series 2011 for \$4,000,000 and retired the lease on the office building in fiscal year 2011.

(11) The City issued Special Assessment Bonds Series 2012 for \$3,114,374 and retired the Special Assessment Bonds Series 2009 in fiscal year 2012.

(12) The City entered into capital lease agreements for police vehicles for \$211,322 in fiscal year 2014.

(13) The City entered into capital lease agreements for police vehicles for \$120,119 and issued water revenue bond \$9,995,000 retiring all previous issues of water bonds, in fiscal year 2015.

Schedule 14
CITY OF SARATOGA SPRINGS
Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$ 18,641,966	\$ 31,854,358	\$ 41,817,397	\$ 37,001,624	\$ 33,902,216	\$ 30,297,072	\$ 31,089,915	\$ 33,882,650	\$ 38,786,244	\$ 46,236,338
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 18,641,966</u>	<u>\$ 31,854,358</u>	<u>\$ 41,817,397</u>	<u>\$ 37,001,624</u>	<u>\$ 33,902,216</u>	<u>\$ 30,297,072</u>	<u>\$ 31,089,915</u>	<u>\$ 33,882,650</u>	<u>\$ 38,786,244</u>	<u>\$ 46,236,338</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2015

Total assessed value	<u>\$ 1,155,908,456</u>
Debt limit - 4% of total assessed value	46,236,338
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u>\$ 46,236,338</u>

Source: Utah County Treasurer

Notes: Under Utah State Law, the City of Saratoga Springs' outstanding debt should not exceed 4 percent of total assessed property value.

The general obligation debt subject to the limitation may be offset by resources set aside for the repayment of the principal that are externally restricted.

Total assessed value	\$ 466,049,154	\$ 796,358,952	\$ 1,045,434,916	\$ 925,040,605	\$ 847,555,412	\$ 757,426,797	\$ 777,247,867	\$ 847,066,261	\$ 969,656,099	\$ 1,155,908,456
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Schedule 15
CITY OF SARATOGA SPRINGS
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016
(amounts expressed in thousands)

<u>Government Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated % Applicable (2)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Alpine School District	\$ 375,435	5%	\$ 20,586
CUWCD	<u>236,649</u>	3%	<u>7,769</u>
Subtotal, overlapping debt	612,084		28,355
Saratoga Springs City direct debt	<u>3,470</u>		<u>3,470</u>
Total direct and overlapping debt	<u><u>\$ 615,554</u></u>		<u><u>\$ 31,825</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Saratoga Springs. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) Includes only long-term general obligation debt being repaid through general property taxes.

(2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by dividing the City's taxable assessed value by each overlapping unit's total taxable assessed value.

Central Utah Water Conservancy District's (CUWCD) outstanding general obligation bonds are limited ad valorem tax bonds. By law CUWCD may levy a tax rate of up to .000400 to pay for operation and maintenance expenses and any outstanding ad valorem tax bonds.

CUWCD is located in multiple counties. Overlapping debt is based solely on the portion of value within City boundaries.

The State's general obligation debt is not included in overlapping debt because the State currently levies no property tax for payment of general obligation bonds.

Source:

Utah State Auditor

Utah State Tax Commission

Schedule 16
CITY OF SARATOGA SPRINGS
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water Revenue and Special Improvement District Bonds								Sales Tax Revenue Bonds			
	Water Charges and Other	Impact Fees (1)	Less: Operating Expenses	Add: Depreciation	Net Available Revenue	Debt Service			Sales Tax Revenues	Debt Service		
						Principal	Interest	Coverage		Principal	Interest	Coverage
2007	1,369,176	5,612,811	2,539,485	1,575,343	6,017,845	69,000	160,246	26.3	868,029	N/A	N/A	N/A
2008	1,566,855	1,946,853	3,532,631	1,892,892	1,873,969	199,000	187,341	4.9	1,246,985	N/A	N/A	N/A
2009	1,491,377	688,466	3,150,276	2,120,859	1,150,426	206,000	180,512	3.0	1,495,027	N/A	N/A	N/A
2010	1,957,038	4,375,575	3,451,286	2,144,841	5,026,168	250,000	204,462	11.1	1,723,051	N/A	N/A	N/A
2011	2,246,895	794,380	3,781,645	2,138,400	1,398,030	333,539	441,463	1.8	1,881,168	N/A	N/A	N/A
2012	4,205,638	1,251,779	4,241,147	2,144,295	3,360,565	436,000	428,506	3.9	2,162,610	140,000	148,500	7.5
2013	4,303,822	1,869,510	4,841,196	2,242,027	3,574,163	502,374	174,434	5.3	2,360,544	145,000	146,800	8.1
2014	4,723,748	1,284,698	4,748,461	2,287,721	3,547,706	1,080,000	252,431	2.7	2,653,278	270,270	139,950	6.5
2015	4,772,755	1,674,878	5,281,995	2,362,626	3,528,264	1,592,000	257,868	1.9	2,939,633	155,000	137,882	10.0
2016	\$ 5,601,106	\$ 4,866,345	\$ 6,041,939	\$ 2,580,753	\$ 7,006,265	\$ 1,672,420	\$ 332,211	3.5	\$ 3,215,928	\$ 160,000	\$ 137,882	10.8

Source: City Finance Department

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Water charges and other includes investment earnings. Operating expenses do not include interest.

(1) A portion of the impact fees are paid to others as per contracts. The impact fees have been reduced by those payments.

Impact fees are specifically included as available for debt payment.

Schedule 17
CITY OF SARATOGA SPRINGS
Demographic and Economic Statistics
Last Ten Calendar Years

Fiscal Year	Population (3)	Personal Income (5)	Per Capita Personal Income (1)(4)	Median Age (1)(3)	Unemployment Rate (1)(2)
2007	11,241	262,252,530	23,330	24.8	2.9
2008	13,039	321,567,818	24,662	25.2	2.5
2009	14,788	385,848,496	26,092	25.6	3.4
2010	16,516	446,179,740	27,015	25.9	7.3
2011	17,781	451,708,524	25,404	26.1	7.9
2012	17,904	450,124,464	21,209	22.6	6.5
2013	21,137	560,024,815	27,624	22.6	5.5
2014	unavailable	unavailable	unavailable	unavailable	3.6
2015	24,356	492,234,760	20,210	24.3	3.4
2016	28,652	515,863,728	21,070	24.1	3.0

Sources:

- (2) Utah Department of Workforce Services
- (3) U.S. Census Bureau
- (4) U.S Bureau of Economic Analysis

Notes:

- (1) Applies to Utah County
- (5) Calculated from Utah County Per Capital Income and City Population

<http://quickfacts.census.gov/qfd/states/49/4967825.html>

Schedule 18
CITY OF SARATOGA SPRINGS
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Census: Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Alpine School District	1,695	1	53%	350	1	43%
Wal-Mart Stores Inc	500	2	16%	-		0%
Lakeview Academy	250	3	8%	-		0%
Smith's Food & Drug #107	249	4	8%	120	3	15%
City of Saratoga Springs	200	5	6%	200	2	25%
Vivint/ARM Security	60	6	2%	-		0%
Dean Flour, LLC	40	7	1%	-		0%
Mcdonalds	40	8	1%	-		0%
Riding Siding	40	9	1%	-		0%
Artic Circle Restuarants	40	10	1%	40	5	5%
Learning Dynamics	-		0%	49	4	6%
Top-Stop C Store	-		0%	19	6	2%
Various	-		0%	15		2%
Alpine Pediatrics	-		0%	19	7	2%
	<u>3,114</u>		<u>97%</u>	<u>812</u>		<u>100%</u>
Total City Employment	3,207			812		

Note:

(1) based on the maximum number of employees within the range.

Data range will increase to ten years over time

Schedule 19
CITY OF SARATOGA SPRINGS
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Full-time Equivalent Employees as of December 31										
Function:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government										
Administration	6.4	10.8	6.8	7.1	7.7	7.3	7.5	8.5	8.15	10.00
Attorney	1.0	0.0	0.5	0.5	0.5	1.5	1.5	2.5	2.14	2.90
Planning	5.6	4.8	3.0	1.0	2.0	2.0	3.0	3.5	3.74	4.63
Courts	0.0	0.0	1.0	1.0	2.0	2.4	2.4	3.0	1.99	3.03
Public Safety										
Police (1)	4.6	22.9	22.3	25.3	33.9	36.0	36.0	34.5	37.86	42.00
Fire	16.6	16.8	19.1	18.3	21.0	22.5	22.5	16.0	23.25	17.50
Building inspection	7.0	7.0	5.0	4.0	4.0	3.0	4.0	5.0	5.00	8.60
Public Works										
Public Works	0.0	1.0	1.0	1.0	1.0	2.4	2.4	6.0	3.97	5.50
Engineering	5.0	8.1	4.5	7.4	7.0	6.7	7.7	6.5	5.14	5.00
Highways and street:	5.5	4.1	3.0	3.0	2.0	2.0	2.0	4.0	4.28	7.00
Water	2.8	6.6	5.7	4.7	5.7	5.0	5.0	5.5	8.03	8.75
Sewer	0.8	1.3	1.3	0.3	2.3	3.0	3.0	3.0	2.54	2.75
Parks and Recreation	1.8	3.8	3.7	3.7	5.5	7.8	8.8	2.5	11.68	16.53
Total	57.1	87.2	76.9	77.3	94.6	101.6	105.8	100.5	117.8	134.2

Source: City Finance Department

Notes: The City of Saratoga Springs is a growing, developing municipality.

(1) The City contracted to provide police services to the City of Bluffdale starting with the 2010-2011 fiscal year.

Schedule 20
CITY OF SARATOGA SPRINGS
OPERATION INDICATORS BY FUNCTION
Current Year

	2016
Fire Protection	
Number of full-time employees	10
Number of part-time employees	36
Fire calls for service	286
Medical calls for service	727
 Police Protection	
Number of officers	42
Police calls for service	16,247
 Municipal Water Services	
Number of connections	6,878
Gallons billed/day	1,009,193
 Municipal Sewer Services	
Number of connections	6,878
 Municipal Refuse Services	
Number of first cans	5,592
Number of second cans	1,609
Number of recycle cans	5,293
 Business Licenses	
Number of licenses issued	341
 Building and Construction	
Number of building permits issued	986
Number of residential units - single family	457
Number of residential units - multi-family	173
 Parks and Recreation	
Number of football participants	232
Number of basketball participants	1,204
Number of soccer participants	2,040
Number of tball participants	478

Source: City Departments

Notes: Years available will increase to ten years over time

Schedule 21
CITY OF SARATOGA SPRINGS
CAPTIAL ASSETS BY FUNCTION
Current Year

	2016
Streets	
Number of lane miles	85
Number of street lights	1,678
Fire Protection	
Number of stations	2
Number of fire hydrants	1,368
Number of fire pumping vehicles	2
Police Protection	
Number of Stations	1
Education	
Number of high schools	1
Number of junior high Schools	1
Number of elementary schools	7
Municipal Water Facilities	
Miles of water mains	223
Municipal Sewer Facilities	
Miles of sewer mains	94
Parks and Recreation	
Number of parks	25
Park and open space acreage	258

Source: City Departments

Notes: Years available will increase to ten years over time

Schedule 22
CITY OF SARATOGA SPRINGS, UTAH
Five-Year Financial Summaries
Last Five Fiscal Years

	Fiscal Year Ended June 30				
	2012	2013	2014	2015	2016
ASSETS					
Cash and investments	\$ 17,181,142	\$ 23,064,986	\$ 24,177,117	\$ 28,510,379	\$ 39,461,737
Receivables, (net of allowance for uncollectibles)	3,541,742	1,461,995	1,644,369	2,867,139	1,739,455
Prepaid and inventories	100,010	80,183	56,166	36,955	18,477
Deferred charges	259,288	-	-	-	-
Restricted cash and investments	2,585,041	675,132	646,003	2,814,571	2,787,320
Due from other funds	-	296,275	1,661,426	4,766,668	4,083,136
Due from other governmental units	-	1,899,270	2,010,708	2,187,081	2,396,502
Pension assets	-	-	-	43,059	6,995
Capital assets not being depreciated:					-
Land	18,365,122	18,402,042	18,720,913	20,201,852	20,201,852
Water rights	14,792,562	14,998,026	15,231,188	15,699,164	15,720,925
Construction in progress	5,354,590	1,353,103	4,939,031	3,094,850	418,799
Capital assets net of accumulated depreciation:					-
Buildings and system	10,846,740	5,159,014	4,872,532	4,586,050	4,299,569
Improvements other than buildings	80,452,456	-	-	-	-
Machinery and equipment	1,166,402	1,571,059	2,578,304	2,717,062	2,755,463
Infrastructure	51,178,970	135,761,060	135,270,979	142,400,266	173,600,415
Deferred outflows of resources					
Pension related deferred outflows	-	-	-	503,540	1,489,687
Total assets	<u>\$ 205,824,065</u>	<u>\$ 204,722,145</u>	<u>\$ 211,808,736</u>	<u>\$ 230,428,636</u>	<u>\$ 268,980,332</u>
LIABILITIES					
Accounts payable	\$ 805,665	\$ 1,566,133	\$ 2,093,885	\$ 2,432,336	\$ 2,667,915
Accrued interest payable	107,250	243,617	97,370	304,689	335,642
Due to other funds	-	296,275	1,396,275	4,766,668	4,083,136
Deposits	527,446	486,007	2,264,122	3,044,350	8,418,144
Unearned revenue	-	-	-	-	-
Noncurrent liabilities:					
Net pension liability	-	-	-	1,719,308	2,255,727
Due or payable within one year	2,360,927	1,786,123	1,897,221	2,176,142	2,152,177
Due or payable after one year	25,954,172	24,298,389	22,264,127	26,696,981	24,787,422
Total liabilities	<u>29,755,460</u>	<u>28,676,544</u>	<u>30,013,000</u>	<u>41,140,474</u>	<u>44,700,163</u>
Deferred Inflow of Resources					
Pension related deferred inflows	-	-	-	301,724	340,125
NET ASSETS					
Invested in capital assets, net of related debt	156,423,314	151,648,119	158,256,666	160,347,239	190,585,917
Restricted for debt service	310,945	-	-	2,814,857	2,787,320
Restricted for capital improvements	12,659,025	-	-	-	-
Restricted for roads	-	600,591	95,687	-	-
Unrestricted	6,675,321	23,796,891	23,443,383	25,824,628	30,566,807
Total net assets	<u>176,068,605</u>	<u>176,045,601</u>	<u>181,795,736</u>	<u>188,986,724</u>	<u>223,940,044</u>
Total Liabilities and net assets	<u>\$ 205,824,065</u>	<u>\$ 204,722,145</u>	<u>\$ 211,808,736</u>	<u>\$ 230,428,922</u>	<u>\$ 268,980,332</u>

Source: Information extracted from the City's general purpose financial statements for the included years.

**Honorable Mayor and City Council
City of Saratoga Springs, Utah**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Saratoga Springs' basic financial statements and have issued our report thereon dated September 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Saratoga Springs' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Saratoga Springs' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Saratoga Springs' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



**Roy, Utah
September 30, 2016**

CITY OF SARATOGA SPRINGS
Status of Prior Year's Findings and Questioned Costs
June 30, 2016

2015-1- Storm Drain Fees

Condition: During our audit work, we noted that the amounts being billed commercial accounts for storm drain fees did not correspond with the approved ERU rates, instead they were being billed the lower residential Acre rates. There can be multiple ERU's per acre.

Criteria: Commercial accounts are to be billed ERU rates for storm drain while non-commercial customers are to be billed by the Acre. When rates were changed by the City Council in July of 2014, city personnel mistakenly changed the rates along with changing the billing units from ERU's to Acres for the commercial accounts.

Cause and Effect: Because of this change, the City has under billed some commercial accounts and has reduced its storm drain revenue accordingly.

Auditor's Recommendation: We recommend that the City review all accounts to ensure they are on the correct billing unit ERU vs Acre for storm drain fees. Along with this, safeguards should be put in place to limit access to make changes to these fields. When changes are to be made, authorized personnel should be trained on the procedures necessary to properly make the changes.

Current Status: Resolved – the City has reviewed all customer rates and ensured the proper billing units.

2015-2 – Material Adjustments

Condition: During the audit process it was noted that numerous account balances did not agree with the supporting documentation or were not adjusted during the year to account for transactional activity in the accounts. These differences resulted in material adjusting entries being made to the financial statements.

Criteria: The financial statements should be supported by and reconciled to supporting documentation for each of the balance sheet accounts. Debt issuance and payments in the governmental funds should be properly recorded when incurred and distinctions made between fees for services and transfers between funds.

Recommendation: Due to the rapid growth of the City, high turnover and job duty reassignments among the accounting personnel, we recommend that appropriate annual training be provided to all members of the accounting staff. Training should emphasize the appropriate accounting and reporting for bond issuance and payment for governmental and enterprise funds and the distinction of transfers vs charges for services between funds. To aid in this process the City may wish to streamline the number of funds used for each activity back to one fund for each enterprise activity. The rapid growth of the City has put a strain on the personnel resources available to account and report on the ever increasing volumes and unique transactions. The City should review its staffing levels and assignments and determine if additional staff members are needed for the account and reporting activities of the City.

Current Status: Resolved – the accounting for the City has included the review of accounts to ensure that they agree to subsidiary schedules and all year end balances are properly adjusted.

**Honorable Mayor and City Council
City of Saratoga Springs**

REPORT ON COMPLIANCE

We have audited the City of Saratoga Springs' (City) compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

Budgetary Compliance	Utah Retirement Systems
Fund Balance	Cash Management
Open and Public Meetings Act	Justice Courts
Restricted Taxes and Related Revenues	Compliance Audit Planning
Treasurers Bond	Utah Public Finance Website

The City received state funding from the following programs classified as major programs for the year ended June 30, 2016:

None

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City's or its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of City's compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, The City of Saratoga Springs complied, in all material respects, with the general compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as items 2015-1.

The City’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and recommendations. The City’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with the compliance requirements that could have a direct and material effect on the City or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and recommendations as item 2015-1 that we consider to be significant deficiencies.

The City’s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and recommendations as item 2015-1. The City’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of Report

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

**Roy, Utah
September 30, 2016**

CITY OF SARATOGA SPRINGS
State Schedule of Findings and Questioned Costs
June 30, 2016

2015-1 Open and Public Meeting Act - Repeat Finding

Finding: The open and public meeting act requires the City to post minutes of meetings to the Utah Public Notice Website within three days of the minutes being approved. The City recorder was not aware of this requirement and was not making such postings although they were posted to the City's website in 2015. During 2016 the City had personnel turnover in the recorders position and as a result of this turnover the City did not comply.

Recommendation: The City should discuss the issue with the new City recorder and ensure that the posting of information to the public website is timely.

Questioned Costs: \$ -0-

Response: This issue has been discussed with the current City Recorder who is committed to make sure timely postings of the City's minutes are made to the Utah Public Notice Website.

APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE

The following extracts briefly outline certain provisions contained in the Indenture and are not to be considered as a full statement thereof. Reference is made to the Indenture for full details of all of the terms thereof, of the 2017 Bonds, the security provisions appertaining thereof, and the application of the Revenues, and the definition of any terms used but not defined in this OFFICIAL STATEMENT.

Definitions

“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.

“Act” means the Local Government Bonding Act, Title 11, Chapter 14, Utah Code and the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code, 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) 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 Representative” means the Mayor, City Manager, or City Recorder of the Issuer, or any other officer of the Issuer certified in writing to the Trustee by the Issuer.

“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.

“Bond Fund” means the City of Saratoga Springs, Utah Sales Tax Revenue Bond Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Bond Fund Year” means the twelve 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 (a)(i) 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 (ii) on which the New York Stock Exchange is open, or (b) as otherwise provided in a Supplemental Indenture.

“Capital Appreciation Bonds” means Bonds the interest on which (a) 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 (b) 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 Sales Tax 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, including fees of financial rating services and other 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 in the Indenture, 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 in the Indenture provided, of any discount on bonds or other securities, and of any reserves for the payment of the principal of and interest on a Series of Bonds, of any replacement expenses and of any other cost of issuance of a Series of Bonds or other securities, Security Instrument Costs and Reserve Instrument Costs;

(m) costs of amending any indenture or other instrument authorizing the issuance of or otherwise appertaining to a Series of Bonds;

(n) all other expenses necessary or desirable and appertaining to a Project, as estimated or otherwise ascertained by the Issuer, including costs of contingencies for a Project; and

(o) payment to the Issuer of such amounts, if any, as shall be necessary to reimburse the Issuer in full for advances and payments theretofore made or costs theretofore incurred by the Issuer for any item of Costs.

In the case of refunding or redeeming any bonds or other obligations, “Cost” includes, without limiting the generality of the foregoing, the items listed in (c), (e), (f), (i), (k), (l), (m) and (o) above, advertising and other expenses related to the redemption of such bonds to be redeemed and the redemption price of such bonds (and the accrued interest payable on redemption to the extent not otherwise provided for).

“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.

“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 (a) all interest payable during such Bond Fund Year on such Series of Bonds plus (b) the Principal Installments payable during such Bond Fund Year on (i) 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 (ii) such Repayment Obligations then outstanding;

provided, however, for purposes of issuing 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 rate of interest rates for prior years, or otherwise);

(2) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds which are issued with a floating rate and with respect to which an Interest Rate Swap is in effect in which the Issuer has agreed to pay a fixed interest rate, such Series of Variable Rate Bonds shall be deemed to bear interest at the effective fixed annual rate thereon as a result of such Interest Rate Swap; provided that such effective fixed annual rate may be utilized only if such Interest Rate Swap does not result in a reduction or withdrawal of any rating then in effect with respect to the Bonds and so long as such Interest Rate Swap is contracted to remain in full force and effect;

(3) when calculating interest payable during such Bond Fund Year for any Series of Bonds which are issued with a fixed interest rate and with respect to which an Interest Rate Swap is in effect in which the Issuer has agreed to pay a floating amount, Debt Service shall include the interest payable on such Series of Bonds, less fixed amounts to be received by the Issuer under such Interest Rate Swap plus the amount of the floating payments (using the market rate in a manner similar to that described in (1) above, unless another method of estimation is more appropriate, in the opinion of the Issuer's financial advisor, underwriter, or similar agent with the approval of each Rating Agency, for such floating payments) to be made by the Issuer under the Interest Rate Swap; provided that the above described calculation of Debt Service may be utilized only if such Interest Rate Swap does not result in a reduction or withdrawal of any rating then in effect with respect to the Bonds and so long as such Interest Rate Swap is contracted to remain in full force and effect;

(4) when calculating interest payable during such Bond Fund Year with respect to any Commercial Paper Program, Debt Service shall include an amount equal to the sum of all principal and interest payments that would be payable during such Bond Fund Year assuming that the Authorized Amount of such Commercial Paper Program is amortized on a level debt service basis over a period of 30 years beginning on the date of calculation or, if later, the last day of the period during which obligations can be issued under such Commercial Paper Program, and bearing interest at such market rate of interest applicable to such Commercial Paper Program as shall be established for this purpose in the opinion of the Issuer's financial advisor, underwriter, or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise); 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, and (d) all interest on Bonds to the extent of Direct Payments attributable to Debt Service on Outstanding Bonds or Additional Bonds proposed to be issued.

“Debt Service Reserve Fund” means the City of Saratoga Springs, Utah Sales Tax 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 (a) ten percent (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 two percent (2%) of original principal, then determined on the basis of initial purchase price to the public), (b) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds, and (c) one hundred twenty-five percent (125%) of the average annual Debt Service for such

Series of Bonds; provided, however, that in the event any Series of Refunding 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 Refunding Bonds and the portion of such Refunding 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 provided in the related Supplemental Indenture, may be accumulated over time. Each Account of the Debt Service Reserve Fund shall only be used with respect to the related Series of Bonds.

“Direct Obligations” means noncallable Government Obligations.

“Direct 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.

“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 fully and unconditionally guaranteed by, the United States of America (including, without limitation, obligations commonly referred to as “REFCORP strips”).

“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 or any successor to the duties of such office. “Moody’s” means Moody’s Investors Service, Inc.

“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 the Indenture, except:

(a) Any Bond or portion thereof which at the time has been paid or deemed paid pursuant to Article X of 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.

“Owner(s)” or “Registered Owner(s)” means the registered owner(s) of the Bonds according to the registration books of the Issuer maintained by the Trustee as Registrar for the Bonds pursuant to the Indenture.

“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 (a) pledged or in which any interest has otherwise been granted to a Security Instrument Issuer as collateral security for Security Instrument Repayment Obligations or (b) purchased and held by a Security Instrument Issuer pursuant to a Security Instrument.

“Principal” means (a) 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 (b) 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 One South Main Street, 12th Floor, Salt Lake City, Utah 84133 or such other or additional offices as may be specified by the Trustee.

“Principal Installment” means, as of any date of calculation, (a) with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the Principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) 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 (b) 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 improvement of capital facilities, equipment and/or improvements financed or refinanced with a Series of Bonds that qualifies as an appropriate use for the Revenues.

“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 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 of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than three hundred sixty (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 Annotated 1953, as amended, including investments contracts permitted by Section 51-7-17(2)(d) thereof.

“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 (i) the interest thereon is intended to be excludable from gross income for federal income tax purposes or (ii) Direct Payments are applicable, the Interest Payment Date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the initial rebate calculation date for such Series of Bonds, and the date of retirement of the last Bond for such Series.

“Rebate Fund” means the City of Saratoga Springs, Utah Sales Tax Revenue Rebate Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“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 (15th) day immediately preceding each Interest Payment Date.

“Regulations,” and all references thereto means the 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.

“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 Sales Tax 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 Sales Tax Revenue Fund created in the Indenture to be held by the Issuer and administered pursuant to the Indenture.

“Revenues” means (i) 100% of the Sales and Use Tax and (ii) Direct Payments.

“S&P” means Standard & Poor’s Rating Services.

“Sales and Use Tax” means 100% of the sales and use tax revenues received by the Issuer pursuant to the Local Sales and Use Tax Act, Title 59, Chapter 12, Part 2, of Utah Code.

“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 the Indenture unless specifically so designated in a Supplemental Indenture authorizing the use of such device or instrument.

“Security Instrument Agreement” means any agreement entered into by the Issuer and a Security Instrument Issuer pursuant to a Supplemental Indenture (including the applicable portions of a Supplemental Indenture) providing for the issuance by such Security Instrument Issuer of a Security Instrument.

“Security Instrument Costs” means, with respect to any Security Instrument, all fees, premiums, expenses and similar costs, other than Security Instrument Repayment Obligations, required to be paid to a Security Instrument Issuer pursuant to a Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument. Such Security Instrument Agreement or Supplemental Indenture shall specify any fees, premiums, expenses, and costs constituting Security Instrument Costs.

“Security Instrument Issuer” means any bank or other financial institution, insurance company, surety company, or other institution issuing a Security Instrument.

“Security Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Security Instrument Agreement, any outstanding amounts payable by the Issuer under the Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument to repay the Security Instrument Issuer for payments previously or concurrently made by the Security Instrument Issuer pursuant to a Security Instrument. There shall not be included in the calculation of the amount of Security Instrument Repayment Obligations any Security Instrument Costs.

“Series” means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor.

“Sinking Fund Account” means the City of Saratoga Springs, Utah Sales Tax 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 supplemental indenture between the Issuer and the Trustee entered into pursuant to and in compliance with the provisions of Article IX 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.

“Term Bonds” means the Bonds which shall be subject to retirement by operation of mandatory sinking fund redemptions from the Sinking Fund Account.

“Termination Payments” means the amount payable to the Swap Counterparty by the Issuer with respect to the early termination or modification of an Interest Rate Swap. Termination Payments may only be payable from and secured by Revenues after payment of all amounts then due pursuant to the Indenture.

“Trustee” means Zions First National Bank 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 under 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.

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 the 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 set forth in the Indenture 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 and delivery or 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.

Execution; Limited Obligation

Unless otherwise specified in the related Supplemental Indenture, the Bonds of any Series shall be executed on behalf of the Issuer with the manual or official facsimile signature of its Mayor, countersigned with the manual or official facsimile signature of the City Recorder, and shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the Issuer. In case any officer, the facsimile of whose signature shall appear on the Bonds, shall cease to be such officer before the delivery of such Bonds, such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

The Bonds, together with interest thereon, and all Repayment Obligations shall be limited obligations of the Issuer payable solely from the Revenues (except to the extent paid out of moneys attributable to the Bond proceeds or

other funds created under the Indenture (except the Rebate Fund) or the income from the temporary investment thereof). The Bonds shall be a valid claim of the Registered Owners thereof only against the Revenues and other moneys in funds and accounts held by the Trustee under the Indenture (except the Rebate Fund) and the Issuer pledges by the Indenture and assigns the same for the equal and ratable payment of the Bonds and all Repayment Obligations, and the Revenues shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds and to pay the Repayment Obligations, except as may be otherwise expressly authorized in the Indenture or by Supplemental Indenture. The issuance of the Bonds and delivery of any Security Instrument Agreement or Reserve Instrument Agreement shall not, directly, indirectly, or contingently obligate the Issuer or any agency, instrumentality, or political subdivision thereof to levy any form of ad valorem taxation therefor.

Nonpresentation of Bonds

Unless otherwise provided by Supplemental Indenture, in the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Issuer to the Registered Owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability to the Registered Owner of such Bond for interest thereon, for the benefit of the Registered Owner of such Bond who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond. If any Bond shall not be presented for payment within four (4) years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall, to the extent permitted by law, repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Registered Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money. The provisions of this provision of the Indenture are subject to the provisions of Title 67, Chapter 4a, Utah Code Annotated 1953, as amended.

Issuance of Additional Bonds

No additional indebtedness, bonds, or notes of the Issuer secured by a pledge of the Revenues senior to the pledge of Revenues for the payment of the Bonds and the Security Instrument Repayment Obligations in the Indenture authorized shall be created or incurred without the prior written consent of the Owners of one hundred percent (100%) of the Outstanding Bonds and the Security Instrument Issuers. In addition, no Additional Bonds or other indebtedness, bonds or notes of the Issuer payable on a parity with the Bonds and the Security Instrument Repayment Obligations authorized in the Indenture out of 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. 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; and

(b) A certificate shall be delivered to the Trustee by an Authorized Representative to the effect that Revenues, less any Direct Payments, for any 12-month consecutive period in the 24 months immediately preceding the proposed date of issuance of such Additional Bonds were at least equal to 200% of the sum of (x) maximum Aggregate Annual Debt Service Requirement on all Bonds and Additional Bonds to be Outstanding following the issuance of the Additional Bonds plus (y) the maximum annual installments due on all Reserve Instrument Repayment Obligations to be outstanding following the issuance of such Additional Bonds; and

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

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

Covenant Against Creating or Permitting Liens

Except for the pledge of Revenues to secure payment of the Bonds and Repayment Obligations under the Indenture, the Revenues are and shall be free and clear of any pledge, lien, charge, or encumbrance thereon or with respect thereto; provided, however, that nothing contained in the Indenture shall prevent the Issuer from issuing, if and to the extent permitted by law, indebtedness having a lien on Revenues subordinate to that of the Bonds and Repayment Obligations.

Use of 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 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 Construction Fund if required to make such payment) after the receipt by the Trustee of a written requisition approved by an Authorized Representative of the Issuer in substantially the form as Exhibit A attached to the Indenture, 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 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 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 Construction Fund or to inquire into the purposes for which disbursements are being made from the 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 the above provision 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 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 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 the Bonds.

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

Application of Revenues

All Revenues shall be accounted for by the Issuer separate and apart from all other moneys of the Issuer.

(a) So long as any Bonds are Outstanding and as a first charge and lien on the Revenues, the Issuer shall on or before the 15th day of each month allocate to the Revenue Fund an amount equal to:

(i) approximately one-sixth of the interest falling due on the Bonds (or, if the first Interest Payment Date is less than six months away, the Issuer shall allocate to the Revenue Fund an amount sufficient to total the interest payable on the Bonds in equal monthly installments) 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) if principal is due on the Bonds within the next succeeding 12 months, approximately 1/12th of the principal and premium, if any, falling due on the next succeeding principal payment date established for the Bonds (or, if the first principal payable on the Bonds is less than 12 months away, the Issuer shall allocate to the Revenue Fund an amount sufficient to total the principal payable on the Bonds in equal monthly installments); plus

(iii) if a Sinking Fund Installment is due on the Bonds within the next succeeding 12 months, approximately 1/12th of the Sinking Fund Installment falling due on the next succeeding Sinking Fund Installment payment date (or, if the first Sinking Fund Installment is less than 12 months away, the Issuer shall allocate to the Revenue Fund an amount sufficient to total the first Sinking Fund Installment on the Bonds in equal monthly installments), plus

(iv) Administrative Costs which shall be paid by the Issuer from time to time as they become due and payable.

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 and to pay Administrative Costs. The Issuer shall transfer from the Revenue Fund or otherwise provide for allocation from Revenues to the Trustee for deposit to the Bond Fund at least 15 days prior to each Interest Payment Date amounts sufficient 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.

(b) As a second charge and lien on the Revenues, the Issuer shall make the following transfers to the Trustee on or before the fifteenth (15th) 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 Revenues in such account(s) in the Debt Service Reserve Fund sufficient in amount to restore such account(s) within one (1) 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 Revenues 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 Revenues, 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 Revenues 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, such that the Reserve Instrument Coverage shall equal the Reserve Instrument Limit within one (1) year from any draw date under the Reserve Instrument.

(c) The Revenues remaining after the foregoing deposits and transfers in each month and not required to be used for remedying any deficiencies in payments previously made into the Funds established in the Indenture, may be used at any time for any other lawful purpose.

Use of Bond Fund

The Issuer may direct the Trustee, pursuant to a Supplemental Indenture, to create an account within the Bond Fund for a separate Series of Bonds under the Indenture.

(a) The Trustee shall make deposits to the Bond Fund, as and when received, as follows:

(i) accrued interest received upon the issuance of any Series of Bonds;

(ii) all moneys payable by the Issuer as specified in the Indenture;

(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.

(b) Except as provided elsewhere in the Indenture and as provided in this provision 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 by the Indenture 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 (i) 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); (ii) all agreements relating to all outstanding Security Instrument Repayment Obligations and Reserve Instrument Repayment Obligations in accordance with their respective terms; and (iii) all 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 provision 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 be (a) deposited immediately upon the issuance and delivery of such Series from (i) proceeds from the sale thereof or from any other legally available source, or (ii) by a Reserve Instrument or Instruments, or (iii) any combination thereof, (b) deposited from available Revenues over the period of time specified therein, or (c) deposited from any combination of (a) and (b) above; provided however, the foregoing provisions shall be subject to the requirements of any bond insurer or other 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 provision of the Indenture, the Issuer is required, pursuant to the Indenture and the provisions of any Supplemental Indenture, to make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund.

In the event funds on deposit in an account of the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund as aforementioned, and there is insufficient cash available in such account of the Debt Service Reserve Fund to make up such deficiency and Reserve Instruments applicable to such Series are in effect, the Trustee shall immediately make a demand for payment on such Reserve Instruments, to the maximum extent authorized by such Reserve Instruments, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund. Thereafter, the Issuer shall be obligated to reinstate the Reserve Instrument as provided in 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 Bonds for which such Reserve Instrument was obtained.

Use of Reserve Instrument Fund

There shall be paid into the Reserve Instrument Fund the amounts required by the Indenture 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. The Issuer may, upon obtaining an 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 Rebate Fund

(a) If it becomes necessary for the Issuer to comply with the rebate requirements of the Code and the Regulations, the Trustee shall establish and thereafter maintain, so long as the Bonds which are subject to said rebate requirements are Outstanding, a Rebate Fund, which shall be held separate and apart from all other funds and accounts established under the Indenture and from all other moneys of the Trustee.

(b) All amounts in the Rebate Fund, including income earned from investment of the fund, shall be held by the Trustee free and clear of the lien of the Indenture. In the event the amount on deposit in the Rebate Fund exceeds the aggregate amount of Rebatable Arbitrage for one or more Series of Bonds, as verified in writing by an independent public accountant or other qualified professional at the time the Rebatable Arbitrage is determined, the excess amount remaining after payment of the Rebatable Arbitrage to the United States shall, upon the Issuer's written request accompanied by the determination report, be paid by the Trustee to the Issuer.

(c) The Issuer shall determine the amount of Rebatable Arbitrage and the corresponding Required Rebate Deposit with respect to each Series of Bonds on each applicable Rebate Calculation Date and take all other actions necessary to comply with the rebate requirements of the Code and the Regulations. The Issuer shall deposit into the Rebate Fund the Required Rebate Deposit, if any, with respect to each Series of Bonds (or instruct the Trustee to transfer to the Rebate Fund moneys representing such Required Rebate Deposit from the Funds and Accounts held under the Indenture other than the Rebate Fund) or shall otherwise make payment of the rebate to be paid to the United States at the times required by the Code and the Regulations. If applicable, the Issuer shall instruct in writing the Trustee to withdraw from the Rebate Fund and pay any rebate over to the United States. The determination of Rebatable Arbitrage made with respect to each such payment date and with respect to any withdrawal and payment to

the Issuer from the Rebate Fund pursuant to the Indenture must be verified in writing by an independent public accountant or other qualified professional. The Trustee may rely conclusively upon and shall be fully protected from all liability in relying upon the Issuer's determinations, calculations, and certifications required by this provision and the Trustee shall have no responsibility to independently make any calculations or determination or to review the Issuer's determinations, calculations and certifications required by this provision.

(d) The Trustee shall, at least sixty (60) days prior to each Rebate Calculation Date, notify the Issuer of the requirements of this provision. By agreeing to give this notice, the Trustee assumes no responsibility whatsoever for compliance by the Issuer with the requirements of Section 148 of the Code or any successor. The Issuer expressly agrees that (notwithstanding any other provision of the Indenture) any failure of the Trustee to give any such notice, for any reason whatsoever, shall not cause the Trustee to be responsible for any failure of the Issuer to comply with the requirements of said Section 148 or any successor thereof.

(e) These provisions may be amended or deleted without Bondowner consent or notice, upon receipt by the Issuer and the Trustee of an opinion of nationally recognized bond counsel that such amendment or deletion will not adversely affect the excludability from gross income of interest on the Bonds or the status of the Bonds as Build America Bonds.

Investment of Funds

Any moneys in the Bond Fund, the Construction Fund, the Rebate Fund, the Reserve Instrument Fund, or the Debt Service Reserve Fund shall, at the discretion and authorization of the Issuer, be invested by the Trustee in Qualified Investments; provided, however, that moneys on deposit in the Bond Fund and the Reserve Instrument Fund may only be invested in Qualified Investments having a maturity date one (1) 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 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 in the Indenture provided. 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 Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with these provisions. The Trustee shall be entitled to assume that any investment, which at the time of purchase is a Qualified Investment, remains a Qualified Investment thereafter, absent receipt of written notice or information to the contrary.

The Trustee may, to the extent permitted by the State Money Management Act of 1974, Title 51, Chapter 7, Utah Code, make any and all investments permitted by the provisions of the Indenture through its own or any of its affiliate's investment departments.

The Issuer acknowledges by the Indenture that to the extent regulations of the comptroller of the currency or any other regulatory entity grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer periodic cash transaction statements which include the detail for all investment transactions made by the Trustee under the Indenture.

In the event the Issuer shall be advised by nationally recognized municipal bond counsel that it is necessary to restrict or limit the yield on the investment of any moneys paid to or held by the Trustee in order to avoid the Bonds, or any Series thereof, being considered "arbitrage bonds" within the meaning of the Code or the Treasury Regulations proposed or promulgated thereunder, or to otherwise preserve the excludability of interest payable or paid on any Bonds from gross income for federal income tax purposes, the Issuer may require in writing the Trustee to take such steps as it may be advised by such counsel are necessary so to restrict or limit the yield on such investment, irrespective of whether the Trustee shares such opinion, and the Trustee agrees that it will take all such steps as the Issuer may require.

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.

General Covenants

The Issuer by the Indenture covenants and agrees with each and every Registered Owner of the Bonds issued under the Indenture and Reserve Instrument Provider as follows:

(a) Pursuant to Section 11-14-307(2)(d) of the Act, while any of the Bonds remain outstanding and unpaid, or any Repayment Obligations are outstanding, the ordinance, resolution or other enactment of the Issuer imposing the taxes described in the definition of Revenues and pursuant to which said taxes are being collected, the obligation of the Issuer to continue to levy, collect, and allocate such taxes, and to apply such Revenues in accordance with the provisions of the authorizing ordinance, resolution or other enactment, 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 Repayment Obligations which would in any way jeopardize the timely payment of principal or interest when due. The Issuer covenants to take all actions necessary to continue the Transportation Sales and Use Tax included in the Revenues

(b) The outstanding Bonds to which the Revenues (less Direct Payments) of the Issuer have been pledged as the sole source of payment shall not at any one time exceed an amount for which the Average Aggregate Annual Debt Service Requirement of the Bonds will exceed eighty percent (80%) of the Revenues (less Direct Payments) to be received by the Issuer during the Bond Fund Year immediately preceding the Bond Fund Year in which the resolution authorizing the applicable Series of Bonds is adopted.

(c) 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 to the receipt and disbursements of the Revenues. 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 of the Revenues, and that such audit will be available for inspection by each Registered Owner, Security Instrument Issuer, and Reserve Instrument Provider.

First Lien Bonds; Equality of Liens

The Bonds and any Security Instrument Repayment Obligations constitute an irrevocable first lien upon the 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 Revenues and shall not be entitled to any priority one over the other in the application of the Revenues regardless of the time or times of the issuance of the Bonds or delivery of Security Instruments, it being the intention of the Issuer that there shall be

no priority among the Bonds or the Security Instrument Repayment Obligations regardless of the fact that they may be actually issued and/or delivered at different times.

Any assignment or pledge from the Issuer to a Reserve Instrument Provider of (a) proceeds of the issuance and sale of Bonds, (b) Revenues, or (c) Funds established by the Indenture, including investments, if any, thereof, is and shall be subordinate to the assignment and pledge effected by the Indenture 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 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 Revenues are by the Indenture specifically pledged and assigned to the payment thereof in the manner and to the extent in the Indenture specified, 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 by the Indenture 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 ten percent (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.

Designation of Additional Paying Agents

The Issuer by the Indenture covenants and agrees to cause the necessary arrangements to be made through the Trustee and to be thereafter continued for the designation of alternate paying agents, if any, and for the making available of funds under the Indenture, but only to the extent such funds are made available to the Issuer from Bond proceeds or other Funds created under the Indenture or the income from the temporary investment thereof, for the payment of such of the Bonds as shall be presented when due at the Principal Corporate Trust Office of the Trustee, or its successor in trust under the Indenture, or at the principal corporate trust office of said alternate Paying Agents.

Tax Exemption of Bonds and Direct Payments

The Issuer recognizes that Section 149(a) of the Code requires bonds to be issued and to remain in fully registered form in order that interest thereon is excludable from gross income for federal income tax purposes under laws in force at the time the bonds are delivered. Bonds issued pursuant to the Indenture, the interest on which is

excludable from gross income for federal income tax purposes, are referred to in the Indenture as “tax-exempt Bonds.” Pursuant to the provisions thereof, the Issuer agrees that it will not take any action to permit tax-exempt Bonds issued under the Indenture to be issued in, or converted into, bearer or coupon form, unless the Issuer first receives an opinion from nationally recognized bond counsel that such action will not result in the interest on any Bonds becoming includible in gross income for purposes of federal income taxes then in effect.

The Issuer’s Mayor and City Recorder are by the Indenture authorized and directed to execute such certificates as shall be necessary to establish that tax-exempt Bonds or Build America Bonds issued under the Indenture are not “arbitrage bonds” within the meaning of Section 148 of the Code and the Regulations promulgated or proposed thereunder, including Treasury Regulation Sections 1.148-1 through 1.148-11, 1.149 and 1.150-1 through 1.150-2 as the same presently exist, or may from time to time hereafter be amended, supplemented, or revised. The Issuer covenants and certifies to and for the benefit of the Registered Owners of such Bonds that no use will be made of the proceeds of the issue and sale of such Bonds, or any funds or accounts of the Issuer which may be deemed to be available proceeds of such Bonds, pursuant to Section 148 of the Code and applicable regulations (proposed or promulgated) which use, if it had been reasonably expected on the date of issuance of such Bonds, would have caused the Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code. Pursuant to this covenant, the Issuer obligates itself to comply throughout the term of such Bonds with the requirements of Section 148 of the Code and the regulations proposed or promulgated thereunder.

The Issuer further covenants and agrees to and for the benefit of the Registered Owners that the Issuer (a) will not take any action that would cause interest on tax-exempt Bonds issued under the Indenture to become includible in gross income for purposes of federal income taxation, (b) will not take any action that would jeopardize the Direct Payments on Build America Bonds issued under the Indenture, (c) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the tax-exempt Bonds to become includible in gross income for purposes of federal income taxation, (d) will not omit to take or cause to be taken, in timely manner, any action, which omission would jeopardize the Direct Payments on Build America Bonds issued under the Indenture, and (e) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the excludability from gross income for purposes of federal income taxation of interest on tax-exempt Bonds and the Direct Payments on Build America Bonds issued under the Indenture.

Expeditious Construction

The Issuer shall complete the acquisition and construction of each Project with all practical dispatch and will cause all construction to be effected in a sound and economical manner.

Instruments of Further Assurance

The Issuer and the Trustee mutually covenant that they will, from time to time, each upon the written request of the other, or upon the request of a Security Instrument Issuer or a Reserve Instrument Provider, execute and deliver such further instruments and take or cause to be taken such further actions as may be reasonable and as may be required by the other to carry out the purposes of the Indenture; provided, however, that no such instruments or action shall involve any personal liability of the Trustee or members of the governing body of the Issuer or any official thereof.

Covenant of State of Utah

In accordance with Section 11-14-307(3), Utah Code Annotated 1953, as amended, the State of Utah pledges and agrees with the Owners of the Bonds and all Reserve Instrument Providers that it will not alter, impair, or limit the taxes included in the Revenues in a manner that reduces the amounts to be rebated to the Issuer which are devoted or pledged in the Indenture until the Bonds, together with applicable interest, and all Reserve Instrument Repayment Obligations, are fully met and discharged; provided, however, that nothing shall preclude such alteration, impairment, or limitation if and when adequate provision shall be made by law for the protection of the Owners of the Bonds.

Events of Default

Each of the following events is by the Indenture 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 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 thirty (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 sixty (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 thirty (30) days from the date of assumption of such custody or control; or

(i) if the Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds, or in the Indenture or any Supplemental Indenture of the Indenture on the part of the Issuer to be performed, other than as set forth above in this provision, and such Event of Default shall continue for thirty (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 twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding under the Indenture; or

(j) the occurrence of 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 including the right to require the Issuer to make monthly deposits to the Bond Fund in the amounts set forth in the Indenture.

If an Event of Default shall have occurred, and if requested so to do by (a) Registered Owners of not less than twenty-five percent (25%) in aggregate Principal amount of the Bonds then Outstanding, (b) 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 twenty-five percent (25%) in aggregate Principal amount of Bonds at the time Outstanding, or (c) any combination of Registered Owners and Security Instrument Issuers described in (a) and (b) above representing not less than twenty-five percent (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 provision as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Registered Owners and the Security Instrument Issuers.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Registered Owners or to the Security Instrument Issuers) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee, the Registered Owners, or the Security Instrument Issuers or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default 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 (a) the Registered Owners of a majority in aggregate Principal amount of the Bonds then Outstanding, (b) 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 fifty percent (50%) in aggregate Principal amount of Bonds at the time Outstanding, or (c) any combination of Registered Owners and Security Instrument Issuers described in (a) and (b) above representing not less than fifty percent (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 these 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.

(b) 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 these provisions of the Indenture, 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 last sentence of this provision, 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 by said Section it is deemed to have notice, nor unless also Registered Owners of twenty-five percent (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 twenty-five percent (25%) in aggregate principal amount of Bonds at the time Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in 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 by the Indenture 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 in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner in the Indenture provided and for the equal benefit of the Registered Owners of all Bonds then Outstanding and all Security Instrument Issuers at the time providing Security Instruments. Nothing 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 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 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 fifty percent (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 fifty percent (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 the Security Instrument Issuers.

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.

Intervention by Trustee

In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interest of Registered Owners of the Bonds, the Trustee may intervene on behalf of such Owners and shall do so if requested in writing by the Registered Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding. The rights and obligations of the Trustee under this provision are subject to the approval of a court of competent jurisdiction.

Resignation by the Trustee

The Trustee and any successor Trustee may at any time resign from the trusts created by the Indenture by giving written notice to the Issuer, served personally or by registered or certified mail, and by registered or certified mail to each Reserve Instrument Issuer, Security Instrument Issuer and Registered Owner of Bonds then Outstanding, and such resignation shall take effect upon the appointment of and acceptance by a successor Trustee by the Registered Owners or by the Issuer as provided in the Indenture; provided, however that if no successor

Trustee has been appointed within sixty (60) days of the date of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it deems proper and prescribes, appoint a successor Trustee.

Removal of the Trustee

The Trustee may be removed at any time, by an instrument or concurrent instruments (a) in writing delivered to the Trustee, and signed by the Issuer, unless there exists any Event of Default, or (b) in writing delivered to the Trustee and the Issuer, and signed by the Registered Owners of a majority in aggregate principal amount of Bonds then Outstanding if an Event of Default exists; provided that such instrument or instruments concurrently appoint a successor Trustee meeting the qualifications set forth in the Indenture.

Appointment of Successor Trustee by Registered Owners; Temporary Trustee

In case the Trustee under the Indenture shall resign or be removed or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Issuer or, if an Event of Default exists, by the Registered Owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such Owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of such vacancy the Issuer by an instrument executed by an Authorized Representative under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Registered Owners in the manner provided by the Indenture; and any such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee so appointed by such Registered Owners. Every successor Trustee appointed pursuant to these provisions or otherwise shall be a trust company or bank in good standing having a reported capital and surplus of not less than \$50,000,000.

Each Reserve Instrument Provider and Security Instrument Issuer shall be notified immediately upon the resignation or termination of the Trustee and provided with a list of candidates for the office of successor Trustee.

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 Not Requiring Consent of Registered Owners, Security Instrument Issuers, and Reserve Instrument Providers

The Issuer and the Trustee may, without the consent of, or notice to, any of the Registered Owners, Reserve Instrument Providers, or Security Instrument Issuers, enter into an indenture or indentures supplemental to the Indenture, 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 Annotated 1953, as amended, 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 (i) 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, (ii) 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 under the Indenture to the United States of America, or (iii) 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 (i) a Supplemental Indenture designating the facilities to comprise the Project, and (ii) 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
- (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.

Supplemental Indentures Requiring Consent of Registered Owners and Reserve Instrument Providers; Waivers and Consents by Registered Owners

Exclusive of Supplemental Indentures covered by the above provisions of the Indenture and subject to the terms and provisions contained in this provision, 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 (a) consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental to the Indenture 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 (b) 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 to the Indenture; provided, however, that nothing in this provision shall permit or be construed as permitting (i) 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 (ii) 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 (iii) 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 (iv) 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 to the Indenture shall modify the rights, duties or immunities of the Trustee, without the written consent of the Trustee. If a Security Instrument or a Reserve Instrument is in effect with respect to any Series of Bonds Outstanding and if a proposed modification or amendment would affect such Series of Bonds, then, except as provided in the Indenture, 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 the 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 by the Indenture);

(b) directing the Trustee to call for redemption pursuant to the Indenture any Bonds to be redeemed prior to maturity pursuant to the provisions of the Indenture; and

(c) 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 this provision of 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 this provision 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 this provision 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 other provision of the Indenture which may be contrary to these provisions of the Indenture, all moneys or Direct Obligations set aside and held in trust pursuant to these provisions 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 these provisions for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to these provisions shall be made without the consent of the Registered Owner of each Bond affected thereby.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon the issuance of the Series 2017 Bonds, Gilmore & Bell, P.C., Bond Counsel to the City, proposes to issue its approving opinion in substantially the following form.

We have acted as bond counsel to the City of Saratoga Springs, Utah (the “Issuer”) in connection with the issuance by the Issuer of its \$9,780,000 Sales Tax Revenue Bonds, Series 2017 (the “Series 2017 Bonds”). The Series 2017 Bonds are being issued pursuant to (a) resolutions of the Issuer adopted on December 6, 2016 and January 3, 2017, and (b) a General Indenture of Trust dated as of June 1, 2011, as heretofore amended and supplemented (the “General Indenture”), as further supplemented by a Second Supplemental Indenture of Trust dated as of April 1, 2017 (the “Second Supplemental Indenture” and collectively with the General Indenture, the “Indenture”), each between the Issuer and ZB, National Association, as trustee.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion as of the date hereof and under existing law, as follows:

1. The Indenture has been authorized, executed and delivered by the Issuer, constitutes a valid and binding obligation of the Issuer and creates a valid lien on the Revenues (as defined in the Indenture) and the other amounts pledged thereunder for the security of the Series 2017 Bonds.

2. The Series 2017 Bonds are valid and binding special obligations of the Issuer payable solely from the Revenues and other amounts pledged therefor in the Indenture, and the Series 2017 Bonds do not constitute a general obligation indebtedness of the Issuer within the meaning of any State of Utah constitutional provision or statutory limitation, nor a charge against the full faith and credit or taxing power of the Issuer.

3. The interest on the Series 2017 Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Series 2017 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Series 2017 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2017 Bonds.

4. The interest on the Series 2017 Bonds (including any original issue discount properly allocable to an owner thereof) is exempt from State of Utah individual income taxes.

5. The Series 2017 Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

We express no opinion herein regarding the accuracy, completeness or sufficiency of the Official Statement or any other offering material relating to the Series 2017 Bonds.

The rights of the holders of the Series 2017 Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable, and their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”), is executed by the City of Saratoga Springs, Utah (the “City”), in connection with the issuance by the City of its \$9,780,000 Sales Tax Revenue Bonds, Series 2017 (the “Series 2017 Bonds”). The Series 2017 Bonds are being issued pursuant to a General Indenture of Trust, dated as of June 1, 2011 (the “General Indenture”), as heretofore supplemented and amended and as further supplemented by a Second Supplemental Indenture of Trust, dated as of April 1, 2017 (collectively, the “Indenture”), between the City and ZB, National Association, as trustee.

The City hereby acknowledges that it is an “obligated person” within the meaning of the hereinafter defined Rule with respect to the Series 2017 Bonds.

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

Section 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the City for the benefit of the Bondholders and Beneficial Owners of the Series 2017 Bonds and in order to assist the Participating Underwriter (each as defined below) in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the hereinafter defined Official Statement or parenthetically defined herein, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report of the City” means the Annual Report of the City provided by the City pursuant to, and as described in Sections 3 and 4 of this Disclosure Undertaking.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2017 Bonds (including persons holding Series 2017 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2017 Bonds for federal income tax purposes.

“Dissemination Agent” shall mean 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 currently 1300 I Street, NW, Suite 1000, Washington D.C. 20005; Telephone (202) 838-1500; the current website address of which is www.msrb.org and www.emma.msrb.org (for municipal disclosures and market data).

“Official Statement” shall mean the Official Statement of the City dated March 29, 2017, relating to the Series 2017 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.

“State” shall mean the State of Utah.

“Participating Underwriter” shall mean any of the original purchasers of the Series 2017 Bonds required to comply with the Rule in connection with the offering of the Bonds.

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 January 31 following the end of each fiscal year of the City (presently June 30), commencing with the fiscal year ending June 30, 2017, 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. 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 Sections 3(a) and 3(b), the Dissemination Agent shall, in a timely manner, send a notice to the MSRB in the manner prescribed by the MSRB.

(d) The Dissemination Agent shall:

(i) determine each year prior to the dates for providing the Annual Report of the City, the website address to which the MSRB directs the annual reports to be submitted; and

(ii) file reports with the City, as appropriate, certifying that their 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 when and if available.

(b) An update of the financial and operating information in the Official Statement relating to the City of the type contained in tables under the headings:

“HISTORICAL DEBT SERVICE COVERAGE” (the debt service on the outstanding Series 2017 Bonds to be included in the amount shown under “Total Debt Service on Outstanding Parity Bonds”), “DEBT STRUCTURE OF THE CITY OF SARATOGA SPRINGS, UTAH,” and “FINANCIAL INFORMATION REGARDING THE CITY OF SARATOGA SPRINGS, UTAH— 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. All of the items contained in the Annual Report shall be submitted in a pdf word-searchable format.

Section 5. Reporting of Significant Events.

(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 2017 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 2017 Bonds or other material events affecting the tax status of the Series 2017 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 2017 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 2017 Bonds;
- (v) Series 2017 Bond calls; or
- (vi) Release, substitution or sale of property securing repayment of the Series 2017 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 date of the legal defeasance, prior redemption or payment in full of all of the Series 2017 Bonds. If such termination occurs prior to the final maturity of the Series 2017 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. The City will serve as the initial Dissemination Agent under this Disclosure Undertaking.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking and any provision of this Disclosure Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 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 2017 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 2017 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 Beneficial Owners of the Series 2017 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Beneficial Owners, 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 2017 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(a), 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 2017 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 attorneys’ fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s gross negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2017 Bonds.

Section 12. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Beneficial Owners from time to time of the Series 2017 Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Undertaking may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____, 2017.

CITY OF SARATOGA SPRINGS, UTAH

(SEAL)

By: _____
Mayor

ATTEST:

By: _____
City Recorder

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APPENDIX E

BOOK-ENTRY SYSTEM

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com>.

Purchases of 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017 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 2017 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 2017 Bonds, except in the event that use of the book-entry system for the 2017 Bonds is discontinued.

To facilitate subsequent transfers, all 2017 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 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 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 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2017 Bond documents. For example, Beneficial Owners of 2017 Bonds may wish to ascertain that the nominee holding the 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to

provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2017 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 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2017 Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2017 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, 2017 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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