

**NEW ISSUE—Book-Entry Only
Bank-Qualified**

**Ratings (Insured/Underlying): S&P “AA”/ “A+”
BAM Insured
See “BOND RATINGS” herein.**

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”), (1) the interest on the Series 2018 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 and (2) the Series 2018 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 Series 2018 Bonds is exempt from State of Utah individual income taxes. See “TAX MATTERS” in this Official Statement.

**\$9,970,000
CITY OF SARATOGA SPRINGS, UTAH
SEWER REVENUE BONDS,
SERIES 2018**

Dated: Date of Delivery

Due: June 1, as shown on the inside cover

The Series 2018 Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2018 Bonds. Purchases of Series 2018 Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Owners of the Series 2018 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2018 Bonds. Interest on the Series 2018 Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2018, through ZB, National Association, dba Zions Bank, as Paying Agent, all as more fully described herein. So long as DTC or its nominee is the registered owner of the Series 2018 Bonds, payments of the principal of, premium, if any, and interest on such Series 2018 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See “THE SERIES 2018 BONDS—Book-Entry Only System” herein.

The Series 2018 Bonds are being issued for the purpose of (i) financing the acquisition and construction of improvements to the City’s sewer utility system (the “System”) (collectively, the “Project”), and (ii) paying costs of issuance of the Series 2018 Bonds.

The Series 2018 Bonds are subject to optional redemption prior to maturity as described herein. See “THE SERIES 2018 BONDS—Redemption” herein.

The Series 2018 Bonds are limited obligations of the City, payable solely from certain Revenues of the System after payment of Operation and Maintenance Expenses, as described herein. The Series 2018 Bonds are not general obligations of the City or the State of Utah or any agency, instrumentality, or political subdivision thereof. The issuance of the Series 2018 Bonds shall not directly, indirectly, or contingently obligate the City or the State of Utah or any agency, instrumentality, or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for the payment of the Series 2018 Bonds.

The scheduled payment of principal of and interest on the Series 2018 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2018 Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”).



The Series 2018 Bonds were awarded pursuant to competitive bidding on Thursday, May 17, 2018, to Wells Fargo Bank, National Association (the “Purchaser”).

The Series 2018 Bonds are offered when, as, and if issued and received by the Purchaser, subject to the approval of their legality by Gilmore & Bell, P.C., Bond Counsel to the City. Certain matters relating to disclosure will be passed upon for the City by Gilmore & Bell, P.C., Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by Kevin Thurman, Esq., City Attorney. Zions Public Finance Inc. is acting as municipal advisor to the City in connection with the issuance of the Series 2018 Bonds. It is expected that the Series 2018 Bonds, in book-entry only form, will be available for delivery on or about May 30, 2018.

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 May 17, 2018, and the information contained herein speaks only as of that date.

\$9,970,000
CITY OF SARATOGA SPRINGS, UTAH
SEWER REVENUE BONDS,
SERIES 2018

MATURITIES, AMOUNTS, INTEREST RATES, AND PRICES OR YIELDS

<u>Due (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2019	\$170,000	3.000%	2.00%	803568 AA2
2020	285,000	3.000	2.05	803568 AB0
2021	405,000	3.000	2.10	803568 AC8
2022	415,000	3.000	2.20	803568 AD6
2023	430,000	3.000	2.30	803568 AE4
2024	440,000	3.000	2.40	803568 AF1
2025	455,000	3.000	2.50	803568 AG9
2026	470,000	3.000	2.60	803568 AH7
2027	485,000	3.000	2.65	803568 AJ3
2028	500,000	3.000	2.75	803568 AK0
2029	510,000	3.000	2.90 c	803568 AL8
2030	530,000	3.000	3.00	803568 AM6
2031	545,000	3.000	3.05	803568 AN4
2032	560,000	3.125	3.13	803568 AP9
2033	575,000	3.250	3.28	803568 AQ7
2034	595,000	3.500	3.35 c	803568 AR5
2035	615,000	3.500	3.40 c	803568 AS3
2036	640,000	3.500	3.45 c	803568 AT1
2037	660,000	3.500	3.50	803568 AU8
2038	685,000	3.500	3.55	803568 AV6

c Yield to optional par call on June 1, 2028.

** The above-referenced CUSIP number(s) have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2018 Bonds. None of the City, the Trustee or the Municipal Advisor is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the particular Series 2018 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2018 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

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

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 2018 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the City or in any other information contained herein, since the date of this Official Statement.

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

The yields or prices at which the Series 2018 Bonds are offered to the public may vary from the initial reoffering yields or prices shown on the inside front cover page of this Official Statement. In connection with this offering, the Purchaser of the Series 2018 Bonds may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2018 Bonds. Such transactions, if commenced, may be discontinued at any time.

The City maintains a website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2018 Bonds.

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

\$9,970,000
CITY OF SARATOGA SPRINGS
SEWER REVENUE BONDS,
SERIES 2018

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

MAYOR AND CITY COUNCIL

Jim Miller Mayor
Shellie Baertsch Councilmember
Michael D.S. McOmber Councilmember
Ryan Poduska Councilmember
Chris Porter Councilmember
Stephen Willden Councilmember

CITY ADMINISTRATION

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

TRUSTEE, PAYING AGENT, AND REGISTRAR

ZB, National Association, dba Zions Bank
One South Main Street, 12th Floor
Salt Lake City, Utah 84133
(801) 844-7529

MUNICIPAL ADVISOR

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

BOND AND DISCLOSURE COUNSEL

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TABLE OF CONTENTS

INTRODUCTION	1	Form of Government	20
Authorization and Purpose of the Series		Fund Structure; Accounting Basis	21
2018 Bonds	1	Budget and Appropriation Process	21
The System	1	Employee Work Force and Retirement	
Security and Sources of Payment for the		System.....	21
Bonds	2	Other Post-Employment Benefits	22
Bond Insurance	2	Risk Management	22
Redemption Provisions	2	Investment of Funds.....	22
Registration, Denominations, Manner of		Financial Records and Statements	23
Payment.....	2	DEBT STRUCTURE OF THE CITY	23
Transfer or Exchange	3	Outstanding Municipal Indebtedness of	
Tax-Exempt Status.....	3	the City.....	23
Conditions of Delivery, Anticipated		Other Financial Considerations.....	24
Date, Manner, and Place of Delivery	3	Future issuance of debt.	24
Basic Documentation	3	NO DEFAULTED OBLIGATIONS	24
Contact Persons.....	4	CERTAIN INVESTMENT CONSIDERATIONS ..	24
BOND INSURANCE	4	General.....	25
Bond Insurance Policy	4	Operation of the System.....	25
Build America Mutual Assurance		Destruction of the System.....	25
Company	4	INDEPENDENT ACCOUNTANTS.....	25
THE SERIES 2018 BONDS.....	6	MUNICIPAL ADVISOR	26
General.....	6	CONTINUING DISCLOSURE.....	26
Redemption Provisions	6	LITIGATION	26
Book-Entry Only System.....	7	LEGAL MATTERS	26
DEBT SERVICE ON THE BONDS	8	TAX MATTERS	27
THE PROJECT	9	Opinion of Bond Counsel	27
ESTIMATED SOURCES AND USES OF		Other Tax Consequences	27
FUNDS	9	BOND RATING.....	28
SECURITY AND SOURCES OF PAYMENT		MISCELLANEOUS.....	29
FOR THE BONDS	10	Additional Information	29
General.....	10	APPENDIX A AUDITED BASIC FINANCIAL	
Flow of Funds	10	STATEMENTS WITH INDEPENDENT	
Rate Covenant.....	12	AUDITOR'S REPORT FOR THE YEAR	
Rate Stabilization Fund and Other		ENDED JUNE 30, 2017	A-1
Available Funds	12	APPENDIX B EXTRACTS FROM THE	
No Debt Service Reserve Fund.....	12	GENERAL INDENTURE OF TRUST	B-1
Additional Bonds	12	APPENDIX C ECONOMIC AND	
THE SYSTEM.....	14	DEMOGRAPHIC INFORMATION	
General.....	14	REGARDING THE CITY	
Service Connections.	14	AND UTAH COUNTY	C-1
Major Users.....	15	APPENDIX D FORM OF CONTINUING	
Rates and Charges.....	15	DISCLOSURE UNDERTAKING	D-1
Connection, Billing, and Collection		APPENDIX E FORM OF OPINION	
Process	16	OF BOND COUNSEL.....	E-1
Pro Forma Net Income and Debt Service		APPENDIX F PROVISIONS REGARDING	
Coverage	17	BOOK-ENTRY ONLY SYSTEM.....	F-1
Five-Year Financial Summaries of the		APPENDIX G SPECIMEN MUNICIPAL	
System.....	17	BOND INSURANCE POLICY	G-1
THE CITY	20		
General Information.....	20		

OFFICIAL STATEMENT
RELATING TO
\$9,970,000
CITY OF SARATOGA SPRINGS, UTAH
SEWER REVENUE BONDS,
SERIES 2018

INTRODUCTION

This Official Statement, including the cover page, introduction and appendices provides information regarding the issuance and sale by the City of Saratoga Springs, Utah (the “City”), a political subdivision and body politic of the State of Utah (the “State”), of its \$9,970,000 Sewer Revenue Bonds, Series 2018 (the “Series 2018 Bonds”), initially issued in book-entry form only. This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2018 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in APPENDIX B—EXTRACTS FROM THE GENERAL INDENTURE OF TRUST.

See also the following appendices attached hereto which are hereby incorporated herein by reference: “APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR’S REPORT FOR THE YEAR ENDED JUNE 30, 2017,” “APPENDIX B—EXTRACTS FROM THE GENERAL INDENTURE OF TRUST,” “APPENDIX C—ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY AND UTAH COUNTY,” “APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING,” “APPENDIX E—FORM OF OPINION OF BOND COUNSEL,” “APPENDIX F—PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM,” and “APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

Authorization and Purpose of the Series 2018 Bonds

The Bonds are being issued pursuant to (i) the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the “Act”); (ii) a General Indenture of Trust (the “General Indenture”), as supplemented by a First Supplemental Indenture of Trust (the “First Supplemental Indenture,” and together with the General Indenture, the “Indenture”), each dated as of May 1, 2018, and each between the City and ZB, National Association, dba Zions Bank, as trustee (the “Trustee”); (iii) a resolution of the City adopted on March 20, 2018 (the “Resolution”), which provides for the issuance of the Series 2018 Bonds; and (iv) other applicable provisions of law.

The Series 2018 Bonds are being issued for the purpose of (i) financing the acquisition and construction of improvements to the hereinafter described System (collectively, the “Project”), and (ii) paying costs of issuance of the Series 2018 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE PROJECT.”

The System

The System consists of sewage collection facilities owned and operated by the City which provide sewer service to approximately 6,683 customers. It comprises approximately 109 miles of 6-inch to 42-inch interceptors and collectors as well as 8 miles of force mains that transmit wastewater from the lift stations to the gravity mains. All of the City’s wastewater is treated by Timpanogos Special Service District, a wastewater treatment plant located in Utah County. For additional information, see “THE SYSTEM,” herein.

Security and Sources of Payment for the Bonds

General. The Bonds (as hereinafter defined), including the Series 2018 Bonds, will be payable from and secured solely by a pledge and assignment of the Revenues from the System and moneys on deposit in the funds and accounts (other than the Rebate Fund) held by the Trustee under the Indenture. The Revenues of the System will be applied to pay the Operation and Maintenance Expenses before being applied to pay principal of and interest on the Bonds.

The Series 2018 Bonds are limited obligations of the City, payable solely from the Revenues of the System after Payment of Operation and Maintenance Expenses, as described herein. The Series 2018 Bonds are not general obligations of the City or the State or any agency, instrumentality, or political subdivision thereof. The issuance of the Series 2018 Bonds shall not directly, indirectly, or contingently obligate the City or the State or any agency, instrumentality, or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for the payment of the Series 2018 Bonds. The City will not mortgage or grant a security interest in the System or any portion thereof to secure payment of the Series 2018 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

Additional Bonds. The Series 2018 Bonds are the initial series of bonds issued under the Indenture. The City may issue Additional Bonds payable on a parity with the Series 2018 Bonds upon complying with certain requirements set forth in the Indenture. Such Additional Bonds together with the Series 2018 Bonds are sometimes collectively referred to herein as the “Bonds.” See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds” herein.

Bond Insurance

The scheduled payment of principal of and interest on the Series 2018 Bonds, when due, will be guaranteed under an insurance policy (the “Policy”) to be issued concurrently with the delivery of the Series 2018 Bonds by Build America Mutual Assurance Company (“BAM” or the “Insurer”). See “BOND INSURANCE” and “APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY” herein.

Redemption Provisions

The Series 2018 Bonds are subject to optional redemption prior to maturity. See “THE SERIES 2018 BONDS—Redemption” herein.

Registration, Denominations, Manner of Payment

The Series 2018 Bonds are issuable only as fully registered bonds without coupons and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Series 2018 Bonds. Purchases of Series 2018 Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC Participants (as hereinafter defined). Beneficial Owners (as hereinafter defined) of the Series 2018 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2018 Bonds.

Principal of, premium, if any, and interest on the Series 2018 Bonds (interest payable June 1 and December 1 of each year, commencing December 1, 2018 (each an “Interest Payment Date”)) are payable to the registered owners of the Series 2018 Bonds through ZB, National Association, dba Zions Bank, Salt Lake City, Utah, which, in addition to acting as Trustee, will also act as Paying Agent and Registrar with respect to the Series 2018 Bonds (respectively, the “Paying Agent” and the “Bond Registrar”). So long as DTC is the registered owner, it will, in turn, remit such principal, premium, if any, and interest to the DTC Participants, for subsequent disbursements to the Beneficial Owners of the Series 2018 Bonds, as described under the caption “THE SERIES 2018 BONDS—Book-Entry Only System” herein.

Transfer or Exchange

Except as described under “THE SERIES 2018 BONDS—Book-Entry Only System” herein, in all cases in which the privilege of exchanging or transferring the Series 2018 Bonds is exercised, the City shall execute, and the Registrar shall authenticate and deliver, the Series 2018 Bonds in accordance with the provisions of the Indenture. For every such exchange or transfer of the Series 2018 Bonds, the City or the Registrar may make a charge sufficient to reimburse it for any tax, fee, or other governmental charge required to be paid with respect to such exchange or transfer of the Series 2018 Bonds, but may impose no other charge therefor.

The Registrar, shall not be required to transfer or exchange any Series 2018 Bond (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Series 2018 Bonds for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Series 2018 Bond for redemption. The “Regular Record Date” means the fifteenth day of the month immediately preceding each Interest Payment Date. The “Special Record Date” means such date as may be fixed for the payment of defaulted interest on the Series 2018 Bonds pursuant to the Indenture.

Tax-Exempt Status

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”), (1) the interest on the Series 2018 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 and (2) the Series 2018 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 Series 2018 Bonds 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 Series 2018 Bonds.

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

The Series 2018 Bonds are offered, subject to prior sale, when, as and if issued and received by the Purchaser subject to approval of legality by Gilmore & Bell, P.C., Bond Counsel to the City, and certain other conditions. Certain matters relating to disclosure will be passed upon by Gilmore & Bell, P.C., disclosure counsel to the City. Certain legal matters will be passed on for the City by Kevin Thurman, Esq., City Attorney. Zions Public Finance Inc. is acting as municipal advisor to the City in connection with the issuance of the Series 2018 Bonds. It is expected that the Series 2018 Bonds in book-entry form will be available for delivery and for deposit with DTC or its agent on or about May 30, 2018.

Basic Documentation

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the City, the Series 2018 Bonds, and the Indenture are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture are qualified in their entirety by reference to such document, and references herein to the Series 2018 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the information with respect thereto included in the aforementioned document, copies of which are available for inspection at the principal office of the Trustee on or after the delivery of the Series 2018 Bonds. Descriptions of the Indenture and the Series 2018 Bonds are qualified by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity having jurisdiction. During the period of the offering of the Series 2018 Bonds, copies of the preliminary forms of any of the aforementioned documents will be available from the “contact persons” as indicated below. Also see APPENDIX B—EXTRACTS FROM THE GENERAL INDENTURE OF TRUST herein. The “basic documentation” which includes the Resolution, the Indenture and other documentation, authorizing the issuance of the Series 2018 Bonds and establishing the rights and responsibilities of the City and other parties to the transaction, may be obtained from the “contact persons” as indicated below.

Contact Persons

The chief contact person for the City concerning the Series 2018 Bonds is:

Mark Christensen, City Manager
City of Saratoga Springs
1307 North Commerce Drive, Suite 200
Saratoga Springs, Utah 84045
(801) 766-9793
mchristensen@saratogaspringscity.com

The chief contact person for the Municipal Advisor concerning the Series 2018 Bonds is:

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2018 Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Series 2018 Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2018 Bonds when due as set forth in the form of the Policy included as APPENDIX G to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2018 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2018 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the

Series 2018 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Series 2018 Bonds, nor does it guarantee that the rating on the Series 2018 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$518.3 million, \$97.4 million and \$420.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series 2018 Bonds or the advisability of investing in the Series 2018 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2018 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2018 Bonds, whether at the initial offering or otherwise.

THE SERIES 2018 BONDS

General

The Series 2018 Bonds are dated their date of delivery and except as otherwise provided in the Indenture, shall bear interest from said date. Interest on the Series 2018 Bonds will be payable semiannually on June 1 and December 1 of each year commencing December 1, 2018. Interest on the Series 2018 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 2018 Bonds will be issued as fully registered bonds, initially in book-entry form, in denominations of \$5,000 or any integral multiple thereof, not exceeding the amount of each maturity.

The Series 2018 Bonds shall bear interest at the rates and shall mature in each of the years as set forth on the inside cover page to this Official Statement.

The Series 2018 Bonds are limited obligations of the City, payable solely from the Revenues of the System after payment of Operation and Maintenance Expenses, as described herein. The Series 2018 Bonds are not general obligations of the City or the State or any agency, instrumentality, or political subdivision thereof. The issuance of the Series 2018 Bonds shall not directly, indirectly, or contingently obligate the City or the State or any agency, instrumentality, or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for the payment of the Series 2018 Bonds.

Interest on the Series 2018 Bonds will be paid on each Interest Payment Date to the Registered Owner thereof (initially DTC) who is the Registered Owner at the close of business on the Regular Record Date for such interest. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner of any Series 2018 Bonds on such Regular Record Date, and may be paid to the Registered Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof to be given to such Registered Owner not less than ten days prior to such Special Record Date. The principal of and premium, if any, on the Series 2018 Bonds are payable upon presentation and surrender thereof at the principal corporate trust office of the Trustee.

Redemption Provisions

Optional Redemption. The Series 2018 Bonds maturing on or prior to June 1, 2028, are not subject to redemption prior to maturity. The Series 2018 Bonds maturing on or after June 1, 2029, are subject to redemption at the option of the City on June 1, 2028, and on any date thereafter prior to maturity, in whole or in part, from such maturities or parts thereof as may be selected by the City, at a redemption price equal to 100% of the principal amount of the Series 2018 Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

Notice of Redemption. In the event any of the Series 2018 Bonds are to be redeemed, the Registrar shall cause notice of redemption with the information required by the Indenture to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2018 Bonds to be redeemed at their addresses as they appear on the registration books of the Bond Registrar at least 30 days but not more than 60 days prior to the date fixed for redemption.

If at the time of any notice of optional redemption there shall not be on deposit with the Trustee moneys sufficient to redeem all the Series 2018 Bonds called for redemption, such notice shall state that such redemption shall be conditioned upon receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of and interest on such Series 2018 Bonds to be redeemed and that if such moneys shall not have been so received, said notice shall be of no force and effect and the City shall not be required to redeem such Series 2018 Bonds. In the event that such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, one time, in the same manner in which the notice of redemption was given, that such moneys were not so received.

A second notice of redemption shall be given not later than 90 days subsequent to the redemption date, to Registered Owners of Bonds or portions thereof redeemed but who failed to deliver Bonds for redemption prior to the 60th day following such redemption date.

In addition to the foregoing, further notice of any redemption of Series 2018 Bonds shall be given by the Trustee simultaneous with the mailed notice to Registered Owners, by first-class mail to the Municipal Securities Rulemaking Board and all registered securities depositories (as reasonably determined by the Trustee) then in the business of holding substantial amounts of obligations of types comprising the Series 2018 Bonds. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

Partially Redeemed Fully Registered Bonds. If fewer than all of the Series 2018 Bonds of any one maturity are to be redeemed, the particular Series 2018 Bonds or portions of Series 2018 Bonds to be redeemed shall be selected by the Trustee by lot in such manner as the Trustee, in its discretion, may deem fair and appropriate. In case any Series 2018 Bond shall be redeemed in part only, upon the presentation of such Series 2018 Bond for such partial redemption, the City shall execute and the Trustee shall authenticate and shall deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the City, a Series 2018 Bond or Bonds of the same interest rate and maturity, in aggregate principal amount equal to the unredeemed portion of such registered Series 2018 Bond. A portion of any Series 2018 Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof and in selecting portions of such Series 2018 Bonds for redemption, the Trustee will treat each such Series 2018 Bond as representing that number of Series 2018 Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Series 2018 Bonds by \$5,000.

Book-Entry Only System

The Series 2018 Bonds originally will be issued solely in book-entry form to The Depository Trust Company (“DTC”), New York, New York, or its nominee, Cede & Co., to be held in DTC’s book-entry system. So long as such Series 2018 Bonds are held in the book-entry only system, DTC or its nominee will be the registered owner or Holder of such Series 2018 Bonds for all purposes of the Indenture, the Series 2018 Bonds and this Official Statement. Purchases of beneficial ownership interests in the Series 2018 Bonds may be made in denominations described above. For a description of the book-entry only system for the Series 2018 Bonds, see “APPENDIX F—PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM.”

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DEBT SERVICE ON THE BONDS

The following table sets forth the debt service requirements of the Series 2018 Bonds.

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Fiscal Total</u>
12/01/2018	-	\$159,487.40	-
06/01/2019	\$170,000.00	158,606.25	\$488,093.65
12/01/2019	-	156,056.25	-
06/01/2020	285,000.00	156,056.25	597,112.50
12/01/2020	-	151,781.25	-
06/01/2021	405,000.00	151,781.25	708,562.50
12/01/2021	-	145,706.25	-
06/01/2022	415,000.00	145,706.25	706,412.50
12/01/2022	-	139,481.25	-
06/01/2023	430,000.00	139,481.25	708,962.50
12/01/2023	-	133,031.25	-
06/01/2024	440,000.00	133,031.25	706,062.50
12/01/2024	-	126,431.25	-
06/01/2025	455,000.00	126,431.25	707,862.50
12/01/2025	-	119,606.25	-
06/01/2026	470,000.00	119,606.25	709,212.50
12/01/2026	-	112,556.25	-
06/01/2027	485,000.00	112,556.25	710,112.50
12/01/2027	-	105,281.25	-
06/01/2028	500,000.00	105,281.25	710,562.50
12/01/2028	-	97,781.25	-
06/01/2029	510,000.00	97,781.25	705,562.50
12/01/2029	-	90,131.25	-
06/01/2030	530,000.00	90,131.25	710,262.50
12/01/2030	-	82,181.25	-
06/01/2031	545,000.00	82,181.25	709,362.50
12/01/2031	-	74,006.25	-
06/01/2032	560,000.00	74,006.25	708,012.50
12/01/2032	-	65,256.25	-
06/01/2033	575,000.00	65,256.25	705,512.50
12/01/2033	-	55,912.50	-
06/01/2034	595,000.00	55,912.50	706,825.00
12/01/2034	-	45,500.00	-
06/01/2035	615,000.00	45,500.00	706,000.00
12/01/2035	-	34,737.50	-
06/01/2036	640,000.00	34,737.50	709,475.00
12/01/2036	-	23,537.50	-
06/01/2037	660,000.00	23,537.50	707,075.00
12/01/2037	-	11,987.50	-
06/01/2038	<u>685,000.00</u>	<u>11,987.50</u>	<u>708,975.00</u>
TOTAL	<u>\$9,970,000.00</u>	<u>\$3,860,018.65</u>	<u>\$13,830,018.65</u>

(Source: Municipal Advisor.)

THE PROJECT

A portion of the proceeds of the Series 2018 Bonds will be used for various improvements to the System, including any or all of the following:

Installation of new pipe at various locations:

-Approximately 2,100 linear feet of 42-inch pipe, 120 feet of which will be installed through a 48-inch diameter casing using the jack and bore installation method to cross under Redwood Road. The sewer will be more than 26 feet deep for much of the installation.

-Approximately 4,000 feet of 48-inch pipe to convey flows to the confluence with the south System. This project will also include 1,750 feet of 18-inch pressure main to connect the Posey Lift Station to this line, decreasing the head necessary for the pumps to perform as needed.

-Approximately 1,800 feet of 21-inch PVC and 1,500 feet of 24-inch HDPE using both open trench and pipe bursting methods (Golf Course project).

-Approximately 725 feet of 21-inch deep sewer.

- Approximately 6,400 linear feet of 12- and 15-inch sewer to connect the south System to the north System at Riverside Drive.

Construction of sewer outfall: This project includes the combined south and north System outflows from Riverside Drive to the bridge crossing of Saratoga Road over the Jordan River. The project consists of 3,600 feet of 48-inch pipe.

Construction of suspended pipe bridge: This includes a suspended pipe bridge over the river consisting of a 60-inch casing and 54-inch pipe.

Construction of gravity sewer outfall: This project consists of a combination of parallel 36-inch lines and a 48-inch line with a Parshall Flume for flow measurement. This project runs from the bridge crossing over the Jordan River to the outfall to the Timpanogos Special Service District manhole.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the Series 2018 Bonds are estimated to be approximately as follows:

Sources:

Par Amount of Series 2018 Bonds	\$9,970,000.00
Net Reoffering Premium	<u>121,029.25</u>
Total Sources	<u>\$10,091,029.25</u>

Uses:

Deposit to Construction Fund	\$9,869,900.00
Purchaser's Discount	93,555.00
Costs of Issuance ⁽¹⁾	<u>127,574.25</u>
Total Uses	<u>\$10,091,029.25</u>

⁽¹⁾ Includes bond insurance premium, legal fees, municipal advisor fees, rating agency fees, trustee, registrar and paying agent fees, and other costs incurred in connection with the issuance of the Series 2018 Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

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

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

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

“Revenues” means all gross income and revenues of any kind, from any source whatsoever, derived from the ownership and operation of the System, including, without limitation, all fees, Direct Payments, rates, connection charges, impact fees imposed with respect to the System to the extent such impact fees may be pledged and available for the payment of the Bonds and other charges, the gross revenues of all improvements, additions, and extensions of the System hereafter constructed or acquired, and all interest earned by and profits derived from the sale of investments made with the income and revenues.

Flow of Funds

Under the Indenture, unless otherwise provided therein, all Revenues shall be deposited in the Revenue Fund and shall be accounted for by the City separate and apart from all other moneys of the City.

As a first charge and lien on the Revenues, the City shall cause to be paid from the Revenue Fund from time to time as the City shall determine, all Operation and Maintenance Expenses of the System as the same become due and payable, and thereupon such expenses shall be promptly paid.

So long as any Bonds are Outstanding, as a second charge and lien on the Revenues after payment of Operation and Maintenance Expenses, i.e., from the Net Revenues, the City shall, at least semi-annually and at least 15 days before each Interest Payment Date, transfer from the Revenue Fund (and, if applicable, any amounts on deposit in the Rate Stabilization Fund, on a parity basis) to the Trustee for deposit into the Bond Fund an amount equal to:

- (i) the interest falling due on the Bonds on the next succeeding Interest Payment Date established for the Bonds (provided, however, that so long as there are moneys representing capitalized interest on deposit with the Trustee to pay interest on the Bonds next coming due, the City need not allocate to the Revenue Fund to pay interest on the Bonds); plus
- (ii) one half of the Principal and premium, if any, falling due in the current fiscal year, and in any event, an amount sufficient to pay the Principal and premium on the next succeeding Principal payment date established for the Bonds; plus

(iii) one-half of the Sinking Fund Installments, if any, falling due in the current fiscal year, and in any event, an amount sufficient to pay the Sinking Fund Installments on the next succeeding Sinking Fund Installment payment date (for deposit to the Sinking Fund Account within the Bond Fund);

the sum of which shall be sufficient, when added to the existing balance in the Bond Fund, to pay the principal of, premium, if any, and interest on the Bonds promptly on each such date as the same become due and payable. The foregoing provisions may be revised by a Supplemental Indenture for any Series of Bonds having other than semiannual Interest Payment Dates.

As a third charge and lien on the Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) (on a parity basis), the City shall make the following transfers to the Trustee on or before the fifteenth day prior to each Interest Payment Date:

(i) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (A) to the accounts in the Debt Service Reserve Fund any amounts required by the Indenture, and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided in the Indenture, and in any Supplemental Indenture and (B) if funds shall have been withdrawn from an account in the Debt Service Reserve Fund, or any account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, the City shall deposit Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) in such account(s) in the Debt Service Reserve Fund sufficient in amount to restore such account(s) within one year with 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 subsection (ii) below) of remaining Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) if less than the amount necessary; and

(ii) Equally and ratably to the accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of an interest payment period, such amount of the remaining Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund), or a ratable portion (based on the amount to be transferred pursuant to subsection (i) above) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such interest payment period transfer or deposit of Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) into the Reserve Instrument Fund, to the Reserve Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit within one year from any draw date under the Reserve Instrument.

As a fourth charge and lien on the Net Revenues (and, if applicable any amounts on deposit in the Rate Stabilization Fund), the City shall deposit in the Repair and Replacement Fund any amount required hereby and by any Supplemental Indenture to accumulate therein the Repair and Replacement Reserve Requirement. In the event that the amount on deposit in the Repair and Replacement Fund shall ever be less than the Repair and Replacement Reserve Requirement for the Bonds then Outstanding (or, after the issuance of Additional Bonds, the amount required to be on deposit therein), from time to time, the City shall deposit to the Repair and Replacement Fund from the Revenue Fund all remaining Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) of the System after payments required by the Indenture have been made until there is on deposit in the Repair and Replacement Fund an amount equal to the Repair and Replacement Reserve Requirement. Subject to the provisions of the following paragraph, this provision is not intended to limit, and shall not limit, the right of the City to deposit additional moneys in the Repair and Replacement Fund from time to time as the City may determine.

Subject to making the foregoing deposits, the City may use the balance of the Net Revenues accounted for in the Revenue Fund for any of the following:

- (i) redemption of Bonds;
- (ii) refinancing, refunding, or advance refunding of any Bonds;

- (iii) for transfer to the Rate Stabilization Fund; or
- (iv) for any other lawful purpose.

Rate Covenant

The City covenants in the Indenture that while any of the principal of and interest on the Bonds are outstanding and unpaid, or any Repayment Obligations are outstanding, any resolution or other enactment of the City Council, applying the Net Revenues for the payment of the Bonds and the Repayment Obligations shall be irrevocable until the Bonds and/or any Repayment Obligations have been paid in full as to both principal and interest, and is not subject to amendment in any manner which would impair the rights of the holders of those Bonds or the Repayment Obligations which would in any way jeopardize the timely payment of principal or interest when due. Furthermore, the rates, for all services supplied by the System to the City and to its inhabitants and to all rate payers within or without the boundaries of the City, shall be sufficient to pay the Operation and Maintenance Expenses for the System, and to provide Net Revenues for each Bond Fund Year which when added to the Other Available Funds for such year (less Direct Payments) shall equal not less than 125% of the Aggregate Annual Debt Service Requirement for such year, plus an amount sufficient to fund the Debt Service Reserve Fund for the Bonds in the time, rate and manner specified in the Indenture; provided, however, that such rates must be reasonable rates for the type, kind and character of the service rendered. There shall be no free service, and such rates shall be charged against all users of the System, including the City. The City agrees that should its annual financial statements disclose that during the period covered by such financial statements the Net Revenues and Other Available Funds were not at least equal to the above requirement, the City shall request that a Qualified Engineer, independent accountant, or other independent financial consultant make recommendations as to the revision of the rates, charges and fees and that the Issuer on the basis of such recommendations will revise the schedule of rates, charges and fees and further revise Operation and Maintenance Expenses so as to produce the necessary Net Revenues and Other Available Funds as required by the Indenture.

Rate Stabilization Fund and Other Available Funds

The City may create and maintain the Rate Stabilization Fund as a separate fund of the City. The Rate Stabilization Fund may be funded by the Issuer from any legally available funds of the City and/or may be funded by the City from amounts transferred from the Revenue Fund as provided in "Flow of Funds" above. The City may, from time to time, designate all or a portion of the amounts on deposit in the Rate Stabilization Fund as Other Available Funds (as described in the Indenture). Except for amounts designated as provided in the immediately preceding sentence (for the year so designated), amounts on deposit in the Rate Stabilization Fund may be used by the City for any lawful purpose. To the extent that amounts on deposit in the Revenue Fund are insufficient in any year for any of the purposes thereof the City covenants that, to the extent amounts are on deposit in the Rate Stabilization Fund, to transfer amounts from the Rate Stabilization Fund to the Revenue Fund to cover any such insufficiency.

No Debt Service Reserve Fund

No debt service reserve will be funded under the Indenture with respect to the Series 2018 Bonds.

Additional Bonds

No additional indebtedness, bonds or notes of the City secured by a pledge of the Revenues senior to the pledge of Net Revenues for the payment of the Bonds and the Security Instrument Repayment Obligations authorized by 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 and the Security Instrument Repayment Obligations herein authorized out of Net Revenues shall be created or incurred, unless the following requirements have been met:

- (a) No Event of Default shall have occurred and be continuing under the Indenture on the date of authentication of any Additional Bonds. However, this provision does 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 the City to the effect that the Net Revenues plus Other Available Funds for any Year, less any Direct Payments, for any consecutive 12-month period in the 24 months immediately preceding the proposed date of issuance of such Additional Bonds were at least equal to 125% of the sum of the Aggregate Annual Debt Service Requirement on all Bonds outstanding for said Year; and

provided, however, that such Net Revenue coverage test set forth (b) above shall not apply to the issuance of any Additional Bonds to the extent (i) they are issued for the purpose of refunding Bonds issued under the Indenture, (ii) the Average Aggregate Annual Debt Service for such Additional Bonds does not exceed the then remaining Average Aggregate Annual Debt Service for the Bonds being refunded therewith and (iii) the maximum Aggregate Annual Debt Service Requirement for such Additional Bonds is less than or equal to the maximum Aggregate Annual Debt Service Requirement for the Bonds being refunded therewith; and

(c) In the case of Additional Bonds issued to finance a Project, the City shall have delivered to the Trustee a certificate from the City:

(i) setting forth the Estimated Net Revenues as described below (assuming, if applicable, the completion of the Project, or any portion thereof, financed with proceeds of the Additional Bonds) either:

(A) for each of the two Bond Fund Years succeeding the latest estimated date of completion of the Project, or any portion thereof, if proceeds of the Additional Bonds are used to fund interest during the construction period, or

(B) if (A) is not the case, for the then current Bond Fund Year and each succeeding Bond Fund Year to and including the second Bond Fund Year succeeding the latest estimated date of completion of the Project, or any portion thereof; and

(ii) verifying that the Estimated Net Revenues as shown in (i) above for each of such Bond Fund Years, less any Direct Payments, plus Other Available Funds are not less than 125% of the Aggregate Annual Debt Service Requirement for each of such Bond Fund Years with respect to all of the Bonds and Additional Bonds which would then be Outstanding (after taking into account any principal reductions resulting from regularly scheduled principal or sinking fund redemption payments) and the Additional Bonds so proposed to be issued.

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

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

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

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

(d) All payments required by the Indenture to be made into the Bond Fund must have been made in full, and there must be on deposit in each account of the Debt Service Reserve Fund (taking into account any Reserve

Instrument coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds; and

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

THE SYSTEM

General

The System consists of sewage collection facilities owned and operated by the City. The System provides sewer service to approximately 6,683 customers.

The System presently consists of approximately 109 miles of 6-inch to 42-inch interceptors and collectors as well as 8 miles of force mains that transmit wastewater from the lift stations to the gravity mains. The City also owns and operates 7 lift stations with 1 additional in construction, 1 metering vault shared with Timpanogos Special Service District ("TSSD"), and 2 Bioxide storage and injection systems to control corrosive gases in the collection system. All of the City's wastewater is treated by TSSD, a wastewater treatment plant located in Utah County near the north-east shore of Utah Lake. TSSD has the capacity to treat flows up to 30 million gallons per day ("MGD"). TSSD is currently treating an average of 18 MGD and is operating at 60% of its rated capacity. At buildout TSSD is planned to be a 90 MGD facility.

TSSD charges the City approximately \$1,375,000 per year based upon the total flow and the strength (BOD and TSS) of the flow. The City's contract with TSSD terminates in 2024.

Service Connections.

The following table sets forth the actual number of service connections and flows to the System for the years shown:

Calendar Year	Residential	Commercial/ Industrial ⁽¹⁾	Total Connections	Percent Change from Prior Year	Peak Month Average Daily Flows (MGD)	Average Daily Flows (MGD)
2008	3,673	—	3,673	—	0.97	0.83
2009	3,893	—	3,893	5.65%	1.03	0.86
2010	4,064	—	4,064	4.21	1.07	0.86
2011	4,289	—	4,289	5.25	1.13	0.89
2012	4,572	—	4,572	6.19	1.20	1.01
2013	4,872	11	4,883	6.37	1.29	1.08
2014	5,184	64	5,248	6.96	1.38	1.17
2015	5,524	66	5,590	6.12	1.47	1.21
2016	6,108	55	6,163	9.30	1.62	1.28
2017	6,630	53	6,683	7.78	1.76	1.36

(1) The City split out Commercial/Industrial accounts from Residential accounts and implemented new rates for Commercial/Industrial accounts effective October 1, 2014. Until that time, the customer counts were all combined.

(Source: The City.)

Major Users

The following table sets forth the largest users of the System and the approximate revenues derived by the City from sewer services to those users for the fiscal year ended 2017:

<u>Name of User</u>	<u>Revenues</u>	<u>Percent of Total System Revenues⁽¹⁾</u>
Aldara Apartments	\$90,316	2.45%
Hillcrest Condos	85,800	2.32
The Gables at Saratoga Springs	78,747	2.13
Cove at Jordan River HOA	60,472	1.64
Jordan Ridge Condos	48,303	1.31
WalMart	<u>4,940</u>	<u>0.13</u>
	<u>\$368,578</u>	<u>9.98%</u>

⁽¹⁾ Based on total operating revenues of the System for fiscal year 2017 of \$3,693,891.

Rates and Charges.

The City has full and independent power, as granted by State law, to establish revenue levels and rate design for sewer service provided by the City. The City is not subject to rate regulation by any State or federal regulatory body, and is empowered to set rates effective at any time. The last System rate change occurred on July 1, 2015.

Residential customers, including multi-family dwellings and condominiums, pay a base rate plus a usage fee per 1,000 gallons of culinary water used. A summary of the residential System rates is shown below.

	<u>Rate/Fee</u>
Base fee (includes first 3,000 gallons)	\$31.36
<i>plus</i>	
Usage fee per 1,000 gallons of culinary water used	
3,001 to 7,000 gallons	\$3.70
7,001 to 12,000 gallons	3.92
12,001 and above gallons	4.09

Commercial and industrial customers are billed a monthly base fee according to their culinary water meter size plus a usage fee per 1,000 gallons of culinary water used. A summary of the commercial/industrial System rates is shown below.

<u>Base fee per meter size:</u>	<u>Rate/Fee</u>
3/4"	\$20.16
1"	20.16
1.5"	26.21
2"	32.26
3"	54.42
4"	201.60
6"	256.03
8"	385.06
<i>plus</i>	
Usage fee per 1,000 gallons of culinary water used	\$3.45

The City also charges impact and connection fees for connecting to the System. These impact fees can only be used to pay for capital improvements which are growth related and itemized on the City's plan for the System. The impact fee cannot be higher than the fee justified by an impact fee analysis. The City completed an updated impact fee analysis and adopted a new System impact fee schedule which became effective July 15, 2014. The City impact

fees for a new single-family dwelling are: North Service Area, \$1,020; South Service Area, \$642, South Service Area in Harbor Bay North, \$1,987; and South Service Area in South Harbor Bay \$3, 580.

Connection, Billing, and Collection Process

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

Pursuant to the City's mandatory connection policy, all new developments must connect to the System. The only exceptions are lots at least one acre in size that are in agricultural or very low-density zones and that can meet certain other criteria specified by City code. Existing houses and structures that have an existing septic system (i.e. not connected to the System) can be required to connect to the System if (1) the City installs a new sewer main within 300 feet of the property and (2) it is determined that allowing them to remain on their septic system will compromise the public safety or welfare. The City estimates that there are only about 20 homes within the City still on septic systems.

Utility bills are generated monthly and are due at the end of each month. If an account becomes delinquent 30 days or more, the utility service is subject to shut-off and a \$15 delinquency fees. In order for services to be reconnected after shut-off occurs, the delinquent bill, (including, but not limited to, charges for services, delinquency fees/service charges assessed, as well as a reconnection fees, etc.) must be paid in full.

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Pro Forma Net Income and Debt Service Coverage

The following table summarizes the projected operations of the System and the projected debt service coverage for the Series 2018 Bonds.

<i>Fiscal Year</i>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Revenues</u>						
Monthly Charges	\$2,926,850	\$3,173,700	\$3,450,087	\$3,797,184	\$4,065,996	\$4,337,024
Usage Fee	380,850	412,427	447,891	492,650	527,130	561,905
Impact Fees	<u>504,612</u>	<u>373,926</u>	<u>421,356</u>	<u>538,545</u>	<u>401,170</u>	<u>401,798</u>
Total Revenues	3,812,311	3,960,053	4,319,335	4,828,379	4,994,296	5,300,727
<u>Total Expenses</u>	<u>(2,832,947)</u>	<u>(3,031,253)</u>	<u>(3,243,441)</u>	<u>(3,470,482)</u>	<u>(3,713,415)</u>	<u>(3,973,354)</u>
Net Revenues Available for Debt Service	<u>979,365</u>	<u>928,800</u>	<u>1,075,894</u>	<u>1,357,898</u>	<u>1,280,881</u>	<u>1,327,372</u>
<u>Debt Service</u> ⁽¹⁾						
Series 2018 Bonds	—	<u>\$488,094</u>	<u>\$597,113</u>	<u>\$708,563</u>	<u>\$706,413</u>	<u>\$708,963</u>
<i>Coverage Ratio with Impact Fees</i>	—	1.90	1.80	1.92	1.81	1.87
<i>Coverage Ratio without Impact Fees</i>	—	1.14	1.10	1.16	1.25	1.31

⁽¹⁾ Assumes that the Series 2018 Bonds are issued and outstanding.
(Source: The Municipal Advisor and the City.)

Five-Year Financial Summaries of the System

The summaries contained herein were extracted from the City's general purpose financial statements for the years ended June 30, 2013 through June 30, 2017. These summaries have not been audited. See "APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2017" herein.

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

	<u>Fiscal Year Ended June 30,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$4,986,673	\$4,155,553	\$3,053,495	\$2,718,105	\$3,071,726
Accounts receivable - net	428,099	347,357	297,703	232,058	223,301
Due from other funds	<u>4,500</u>	<u>4,500</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Current Assets	5,419,272	4,507,410	3,351,198	2,950,163	3,295,027
Noncurrent Assets:					
Capital Assets:					
Construction in Progress	158,781	16,264	—	587,387	298,810
Sewer system	26,389,358	26,052,946	22,940,186	20,852,408	20,191,421
Equipment	838,736	811,736	811,738	715,125	282,763
Accumulated Depreciation	(8,924,018)	(7,955,158)	(7,144,094)	(6,373,012)	(5,655,877)
Net Capital Assets	18,462,857	18,925,788	16,607,830	15,781,908	15,117,117
Pension assets	<u>—</u>	<u>5</u>	<u>44</u>	<u>—</u>	<u>—</u>
Total Assets	23,882,129	23,433,203	19,959,072	18,732,071	18,412,144
DEFERRED OUTFLOWS OF RESOURCES					
Pension related costs	<u>53,665</u>	<u>36,612</u>	<u>13,135</u>	<u>—</u>	<u>—</u>
Total Assets and Deferred Outflows	<u>\$23,935,794</u>	<u>\$23,469,815</u>	<u>\$19,972,207</u>	<u>\$18,732,071</u>	<u>\$18,412,144</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	269,794	757,196	186,542	263,697	334,836
Due to other funds	47,607	47,607	—	—	—
Compensated Absences	2,986	1,804	—	386	715
Customer Deposits	8,498	8,498	(1,136)	2,740	—
Capital leases payable - current	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>171</u>
Total current liabilities	328,885	815,105	185,406	266,823	335,722
Noncurrent Liabilities:					
Compensated Absences	893	2,408	2,480	571	1,584
Net pension liability	<u>50,807</u>	<u>35,800</u>	<u>23,030</u>	<u>—</u>	<u>—</u>
Total Noncurrent Liabilities	<u>51,700</u>	<u>38,208</u>	<u>25,510</u>	<u>571</u>	<u>1,584</u>
Total Liabilities	380,585	853,313	210,916	267,394	337,306
DEFERRED INFLOWS OF RESOURCES					
Pension related costs	<u>13,350</u>	<u>8,785</u>	<u>7,871</u>	<u>—</u>	<u>—</u>
NET POSITION					
Net Investment					
in Capital Assets	18,462,857	18,925,788	16,607,830	15,781,908	15,116,946
Unrestricted	<u>5,079,002</u>	<u>3,681,929</u>	<u>3,145,590</u>	<u>2,682,769</u>	<u>2,957,892</u>
Net Position	<u>23,541,859</u>	<u>22,607,717</u>	<u>19,753,420</u>	<u>18,464,677</u>	<u>18,074,838</u>
Total Liabilities, Deferred Inflows, & Net Position	<u>\$23,935,794</u>	<u>\$23,469,815</u>	<u>\$19,972,207</u>	<u>\$18,732,071</u>	<u>\$18,412,144</u>

(Source: Information extracted from the City's 2013 through 2017 audited basic financial statements. This summary has not been audited.)

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

	Fiscal Year Ended June 30,				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Operating Revenue:</u>					
Charges for services	\$3,466,911	\$3,176,051	\$2,622,788	\$2,177,281	\$2,020,218
Connection and other fees	<u>226,980</u>	<u>244,552</u>	<u>123,142</u>	<u>112,000</u>	<u>162,050</u>
Total Operating Revenues	3,693,891	3,420,603	2,745,930	2,289,281	2,182,268
<u>Operating Expenses:</u>					
Personnel	93,704	126,129	81,487	100,603	118,496
Supplies and Maintenance	354,172	1,260,031	522,451	637,933	475,916
Professional Services	-	-	9,689	29,223	760
Administration	694,540	610,063	584,375	434,483	406,574
Power and Pumping	39,238	55,436	64,113	50,993	55,923
Treatment and sanitation	1,390,539	1,334,324	1,204,912	1,021,863	1,077,442
Depreciation	968,859	811,065	771,082	717,137	694,613
Other	<u>-</u>	<u>6,539</u>	<u>6,539</u>	<u>13,423</u>	<u>4,200</u>
Total Operating Expenses	<u>3,541,052</u>	<u>4,203,587</u>	<u>3,244,648</u>	<u>3,005,658</u>	<u>2,833,924</u>
Operating Income (Loss)	152,839	(782,984)	(498,718)	(716,377)	(651,656)
<u>Nonoperating Revenues (Expenses):</u>					
Interest revenue	<u>48,605</u>	<u>23,657</u>	<u>12,394</u>	<u>14,390</u>	<u>15,812</u>
Total Nonoperating Revenues (Expenses)	<u>48,605</u>	<u>23,657</u>	<u>12,394</u>	<u>14,390</u>	<u>15,812</u>
Net Income (Loss) Before Transfers	201,444	(759,327)	(486,324)	(701,987)	(635,844)
Capital Contributions	226,663	2,359,017	1,501,243	660,987	-
Impact Fees	512,574	1,254,607	301,158	430,839	492,124
Transfers in/out	<u>(6,539)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	934,142	2,854,297	1,316,077	389,839	(143,720)
Total Net Assets - Beginning	<u>22,607,717</u>	<u>19,753,420</u>	<u>18,437,343*</u>	<u>18,074,838</u>	<u>18,218,558</u>
Total Net Assets - Ending	<u>23,541,859</u>	<u>22,607,717</u>	<u>19,753,420</u>	<u>18,464,677</u>	<u>18,074,838</u>

* Restated.

(Source: Information extracted from the City's 2013 through 2017 audited basic financial statements. This summary has not been audited.)

THE CITY

General Information

The City was incorporated in 1997 and is located near Utah Lake in the northwestern portion of Utah County. The City is approximately 30 miles south of Salt Lake City and approximately 22 miles northwest of Provo. The City had 26,887 residents according to the 2016 estimate of the U.S. Census Bureau.

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⁾	5	January, 2022
Councilmember	Chris Porter	3	January, 2020
Councilmember	Michael D.S. McOmber	9	January, 2022
Councilmember	Steven Willden	5	January, 2022
Councilmember	Ryan Poduska	1	January, 2020
Councilmember	Shellie Baertsch	7	January, 2020
City Manager	Mark Christensen	8	Appointed
Assistant City Manager	Owen Jackson	5	Appointed
Finance Director	Chelese Rawlings	5	Appointed
City Recorder	Cindy LoPiccolo	2	Appointed
City Treasurer	Debbie Elms	12	Appointed
City Attorney	Kevin Thurman	7	Appointed
Public Works Director	Jeremy Lapin ⁽²⁾	6	Appointed
Assistant Public Works Supervisor	George Leatham	14	Appointed
City Engineer	Gordon Miner	3	Appointed

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

⁽²⁾ Mr. Lapin worked as an engineering consultant for the City for 4 years prior to becoming an employee, served until 2015 as City Engineer, and started in October 2016 was appointed Public Works Director.

Fund Structure; Accounting Basis

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

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

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

Budget and Appropriation Process

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

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

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

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

Employee Work Force and Retirement System

The City currently employs approximately 116 full-time employees, 188 part-time employees, and 25 seasonal employees for a total employment of approximately 329 employees.

The City is a member of the Utah State Retirement Systems (“URS Systems”). The URS Systems are multiple-employer, cost-sharing defined benefit pension plans. The URS Systems cover substantially all eligible public employees of the State and education employees as well as participating local government entities. The City

is required to contribute a portion of URS Systems' plan members' salary. At June 30, 2017, the City reported a net pension asset of \$4,648 and a net pension liability of \$2,886,117.

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

The City also participates in three defined compensation plans for qualifying employees. For further information on the City's retirement plans, see "APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2017—Notes to the Financial Statements—Note 6. Retirement Plans" herein.

Other Post-Employment Benefits

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

Risk Management

The City provides for its general liability, property, and other risk insurance through various commercial insurance policies. The City believes its risk management policies and coverages are normal and within acceptable coverage limits for the type of services the City provides. Losses have not exceeded coverage during the last three years. See "APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2017—Notes to the Financial Statements—Note. Risk Management" herein.

Investment of Funds

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

The City is currently complying with all of the provisions of the Money Management Act for all City operating funds. A significant portion of the City funds are invested in the Utah Public Treasurers Investment Fund ("Treasurer's Fund"), as discussed below in this section.

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

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

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

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

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

Financial Records and Statements

The City presently maintains its financial records on a July 1 to June 30 fiscal year basis. See APPENDIX A to this Official Statement for a copy of the City's audited financial statements for the fiscal year ended June 30, 2017.

DEBT STRUCTURE OF THE CITY

Outstanding Municipal Indebtedness of the City

The tables below set forth the outstanding municipal indebtedness of the City as of January 1, 2018.

SEWER REVENUE BONDS

<u>Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Final Maturity Date</u>	<u>Principal Amount Outstanding</u>
2018 ⁽¹⁾	Improvements	\$9,970,000	June 1, 2038	<u>\$9,970,000</u>

⁽¹⁾ For purposes of this Official Statement the Series 2018 Bonds are considered issued and outstanding.

WATER REVENUE BONDS

<u>Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Final Maturity Date</u>	<u>Principal Amount Outstanding</u>
2016	Improvements	\$9,710,000	December 1, 2036	\$9,555,000
2014	Improvements/Refunding	9,995,000	December 1, 2033	<u>8,710,000</u>
Total				<u>\$18,265,000</u>

SALES TAX REVENUE BONDS

<u>Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Final Maturity Date</u>	<u>Principal Amount Outstanding</u>
2017	Regional Park	\$9,780,000	June 1, 2037	\$9,780,000
2011	Various Purposes	4,000,000	June 1, 2031	<u>3,085,000</u>
			Total	<u>\$12,865,000</u>

SPECIAL ASSESSMENT BONDS

<u>Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Final Maturity Date</u>	<u>Principal Amount Outstanding</u>
2016	Land Development	\$5,300,000	February 1, 2027	\$5,300,000
2012	Refunding	3,114,374	April 1, 2029	<u>1,515,000</u>
			Total	<u>\$6,815,000</u>

Other Financial Considerations

The City has a note outstanding in the amount of \$10,365,660 as of fiscal year 2017 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 2017—Notes to the Financial Statements—Note 12. Long-Term Debt—C. Note Payable.”

The City has also entered into various agreements for financing its capital equipment needs. As of fiscal year 2017, the present value of the minimum lease payments of the City’s capital leases totals \$109,663, 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 2017—Notes to the Financial Statements—Note 11. Leases.”

Future issuance of debt.

Other than the issuance of the Series 2018 Bonds the City does not anticipate the issuance of any other bonds within the next three years; however, the City reserves the right to issue any bonds or other obligations as its capital needs may require.

NO DEFAULTED OBLIGATIONS

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

CERTAIN INVESTMENT CONSIDERATIONS

The purchase of the Series 2018 Bonds involves certain investment risks that are discussed throughout this Official Statement. No prospective purchaser of the Series 2018 Bonds should make a decision to purchase any of the Series 2018 Bonds without first reading and considering the entire Official Statement, including all Appendices, and making an independent evaluation of all such information. Certain of those investment risks are described below. The list of risks described below is not intended to be definitive or exhaustive and the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General

The Series 2018 Bonds are payable from and secured by a pledge and assignment of Net Revenues from the System and moneys on deposit in the funds and accounts held by the Trustee under the Indenture. Future economic conditions, weather conditions, the demand for sewer services within the City and the surrounding areas, economic and employment trends and events, demographic changes, changes in federal and state policies and regulations, including environmental policies and regulations, and other factors may adversely affect the future financial condition of the System, and, consequently, the availability of Net Revenues. No assurance can be made that the Net Revenues of the System will be realized by the City in amounts sufficient to pay debt service on the Series 2018 Bonds when due.

Operation of the System

In order for the City to make timely payment of the principal and interest requirements of the Series 2018 Bonds and to meet its other obligations under the Indenture, it will be necessary for the City to manage, operate and maintain the System in an efficient and economical manner that is consistent with prudent utility practice. The City is exempt from regulation by the Utah Public Service Commission but the operation of the System is subject to the requirements of various governmental rules and regulations and the System must be operated in compliance with those requirements. In the event that the System is not operated or is not capable of operation as required by the provisions of such governmental rules and regulations, the City may be subject to certain penalties.

To the extent the System develops operational problems, Operation and Maintenance Expenses may need to be reduced or rates for the System may need to be increased to produce sufficient Revenues unless other sources of funds are obtained. In the event that Revenues need to be increased for the continued operation of the System (and to pay debt service on the Series 2018 Bonds), it may be necessary to increase rates for the System. The City has covenanted in the Indenture that it will ensure that the rates for all services supplied by the System to all customers within or without the boundaries of the City when combined with other Revenues, shall be sufficient to pay the Operation and Maintenance Expenses for the System, and to provide Net Revenues for each Bond Fund Year of not less than 125% of the Aggregate Annual Debt Service Requirement for such Bond Fund Year plus an amount sufficient to fund the Debt Service Reserve Fund in the time, rate and manner specified in the Indenture; provided, however, that pursuant to State law such rates must be reasonable rates for the type, kind and character of the service rendered. Furthermore, the City may decide not to make any rate increases due to political, feasibility or other concerns.

Destruction of the System

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

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

INDEPENDENT ACCOUNTANTS

The financial statements of the City as of June 30, 2017 and for the year then ended, included in this Official Statement, have been audited by Gilbert & Stewart, CPA PC ("Gilbert & Stewart"), as stated in its report in APPENDIX A to this Official Statement. Gilbert & Stewart has not been asked to consent to the use of its name and audited financial report of the City for fiscal year ended June 30, 2017 in this Official Statement.

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

MUNICIPAL ADVISOR

The City has entered into an agreement with Zions Public Finance Inc. (the “Municipal Advisor”), whereunder the Municipal Advisor provides financial recommendations and guidance to the City with respect to preparation for sale of the Series 2018 Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the Series 2018 Bonds. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement, or any other related information available to the City, with respect to accuracy and completeness of such information, and no guaranty, warranty or other representation is made by the Municipal Advisor respecting accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

CONTINUING DISCLOSURE

The City has undertaken for the benefit of the Bondholders and the beneficial owners of the Series 2018 Bonds to provide certain annual financial information and operating data to the Municipal Securities Rulemaking Board (the “MSRB”) and to provide notice of certain material events to the MSRB all in order to assist the Purchaser in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. See APPENDIX D attached hereto and incorporated herein by reference for a form of the Continuing Disclosure Undertaking that will be executed and delivered by the City.

Within the last five years, the City failed to timely file its audited financial statements for fiscal years 2013 and 2014 with respect to its sales tax revenue bonds, but subsequently filed those financial statements with the MSRB. The City also failed to timely provide its audited financial statements and operating information with respect to its water revenue bonds for fiscal year 2014, but subsequently filed such information with the MSRB. The City noted these failures to file in its continuing disclosure reports filed with EMMA on February 25, 2015.

A failure by the City to comply with the Continuing Disclosure Undertaking will not constitute a default under the Indenture and beneficial owners of the Series 2018 Bonds are limited to the remedies described in the Continuing Disclosure Undertaking. See “APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING—Default.” A failure by the City to comply with the Continuing Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2018 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2018 Bonds and their market price.

LITIGATION

A non-litigation certificate issued by Kevin Thurman, City Attorney, dated the date of closing, will be provided stating, among other things, that to the best of his knowledge, after due inquiry, no action, suit, proceeding, inquiry, or any other litigation or investigation at law or in equity, before or by any court, public board or body, has been served on the City or is threatened, challenging the creation, organization, or existence of the City or the titles of its officers to their respective offices or seeking to restrain or enjoin the issuance, sale, or delivery of the Series 2018 Bonds or for the purpose of restraining or enjoining the levy and collection of taxes or assessments by the City, or directly or indirectly contesting or affecting the proceedings or the authority by which the Series 2018 Bonds are issued or the validity of the Series 2018 Bonds or the issuance thereof.

LEGAL MATTERS

The authorization and issuance of the Series 2018 Bonds is subject to the approval of legality by Gilmore & Bell, P.C., Bond Counsel to the City. Certain matters relating to disclosure will be passed upon for the City by Gilmore & Bell, P.C., Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by Kevin Thurman, City Attorney. The approving opinion of Bond Counsel will be delivered with the Series 2018 Bonds. A copy of the form of the opinion of Bond Counsel is set forth in APPENDIX E of this Official Statement.

TAX MATTERS

The following is a summary of the material federal and State of Utah income tax consequences of holding and disposing of the Series 2018 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 Series 2018 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 Series 2018 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 Series 2018 Bonds.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, under the law currently existing as of the issue date of the Series 2018 Bonds:

Federal Tax Exemption. The interest on the Series 2018 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. The interest on the Series 2018 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank-Qualification. The Series 2018 Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”).

Bond Counsel’s opinions are provided as of the date of the original issue of the Series 2018 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 Series 2018 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 Series 2018 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2018 Bonds.

State of Utah Tax Exemption. The interest on the Series 2018 Bonds 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 Series 2018 Bonds but has reviewed the discussion under the heading “TAX MATTERS.”

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series 2018 Bond over its issue price. The issue price of a Series 2018 Bond is generally the first price at which a substantial amount of the Series 2018 Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2018 Bond during any accrual period generally equals (1) the issue price of that Series 2018 Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2018 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2018 Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Series 2018 Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series 2018 Bond over its stated redemption price at maturity. The issue price of a Series 2018 Bond is generally the first price at which a substantial amount of the Series 2018 Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Series 2018 Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2018 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2018 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 Series 2018 Bond, an owner of the Series 2018 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 Series 2018 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2018 Bond. To the extent a Series 2018 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 Series 2018 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 Series 2018 Bonds, and to the proceeds paid on the sale of the Series 2018 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 Series 2018 Bonds should be aware that ownership of the Series 2018 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 Series 2018 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2018 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 Series 2018 Bonds, including the possible application of state, local, foreign and other tax laws.

BOND RATING

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), is expected to assign its municipal bond rating of "AA" (Stable Outlook) to the Series 2018 Bonds with the understanding that upon delivery of the Series 2018 Bonds, the Policy guaranteeing the payment when due of the principal of and interest on the Series 2018 Bonds will be issued by the Insurer. See "BOND INSURANCE" above. S&P has assigned an underlying municipal bond rating of "A+" to the Series 2018 Bonds.

There is no assurance that any rating assigned to the Series 2018 Bonds will be maintained for any period of time or that such rating may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change or withdrawal of such rating may have an adverse effect on the market price of the Series 2018 Bonds.

The City has covenanted in a continuing disclosure undertaking to file on the Electronic Municipal Market Access ("EMMA") service of the MSRB notices of any ratings changes on the Series 2018 Bonds. See the caption "CONTINUING DISCLOSURE UNDERTAKING" above and "APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING." Notwithstanding such covenant, information relating to ratings changes on the Series 2018 Bonds will generally be publicly available from the rating agencies furnishing the same prior to or simultaneously with such information being provided to the City. Purchasers of the Series 2018 Bonds are

therefore directed to the ratings agencies and their respective websites and official media outlets for the most current information regarding any ratings changes with respect to the Series 2018 Bonds after the initial issuance of the Series 2018 Bonds and prior to the date the City is obligated to file notice of any rating change on EMMA.

MISCELLANEOUS

Additional Information

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

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

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

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

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

SARATOGA SPRINGS CITY, UTAH

APPENDIX A

**AUDITED BASIC FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2017**

COMPREHENSIVE
ANNUAL FINANCIAL REPORT



CITY OF SARATOGA SPRINGS, UTAH
FISCAL YEAR ENDED JUNE 30, 2017

CITY OF SARATOGA SPRINGS, UTAH COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

FOR FISCAL YEAR ENDED JUNE 30, 2017

PREPARED BY:
FINANCE DEPARTMENT

INTRODUCTORY SECTION

Transmittal Letter	1-6
Principal Officials.....	7
Organizations Chart	8
Certificate of Achievement for Excellence in Financial Reporting	9

FINANCIAL SECTION

Independent Auditor's Report.....	11-12
Management Discussion and Analysis	13-27
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	29
Statement of Activities	30
Governmental Funds Statements	
Balance Sheet.....	31
Balance Sheet Reconciliation to Statement of Net Position	32
Statement of Revenues, Expenditures, and Changes in Fund Balances –	
Governmental Funds	33
Statement of Changes Reconciliation to Statement of Activities.....	34
Statement of Revenues, Expenditures, and Changes in Fund Balances –	
General Fund – Budget and Actual.....	35
Special Revenue Fund – Budget and Actual.....	36
Proprietary Funds Statements	
Statement of Net Position	37
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	38
Statement of Cash Flows	39
Notes to the Basic Financial Statements	
Note 1 – Summary of Significant Accounting Policies	40-46
Note 2 – Deposits and Investments	46-48
Note 3 – Accounts Receivable – Unearned Revenue.....	48
Note 4 – Capital Assets.....	48-50
Note 5 – Compensated Absences	50
Note 6 – Retirement Plans	50-56
Note 7 – Inter-fund Transfers	56
Note 8 – Contingent Liabilities	57
Note 9 – Construction Commitments.....	57
Note 10 – Risk Management.....	58
Note 11 – Leases.....	58
Note 12 – Long-term Debt.....	58-64
Note 13 – Subsequent Events.....	64

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Expenditures of the Proportionate Share of Net Pension Liability of the Utah State Retirement System 66	
Schedule of Contributions to the Utah State Retirement System	67
Notes to Required Supplementary Information.....	68

INDIVIDUAL FUND FINANCIAL STATEMENTS

Capital Projects Fund – Budget and Actual	70
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STATISTICAL SECTION

Introduction to Statistical Section.....	72
Schedule 1 – Net Position by Component.....	73
Schedule 2 – Changes in Net Position.....	74-75
Schedule 3 –Fund Balances of Governmental Funds	76
Schedule 4 – Changes in Fund Balances of Governmental Funds	77
Schedule 5 – Governmental Activities Tax Revenues by Source.....	78
Schedule 6 – Assessed Value of Taxable Property Excluding Fee-In-Lieu	79
Schedule 7 – Assessed Value of Taxable Property Including Fee-In-Lieu	80
Schedule 8 – Taxable Sales by Category	81
Schedule 9 – Direct and Overlapping Property Tax Rates.....	82
Schedule 10 – Direct and Overlapping Sales Tax Rate.....	83
Schedule 11 – Principal Property Taxpayers.....	84
Schedule 12 – City Tax Revenue Collected by Utah County	85
Schedule 13 – Outstanding Debt by Type	86
Schedule 14 – Legal Debt Margin Information.....	87
Schedule 15 – Direct and Overlapping Governmental Activities Debt.....	88
Schedule 16 – Pledged-Revenue Coverage.....	89
Schedule 17 – Demographic and Economic Statistics	90
Schedule 18 – Principal Employers.....	91
Schedule 19 – Full-time Equivalent City Government Employees by Function.....	92
Schedule 20 – Operation Indicators by Function	93
Schedule 21 – Capital Assets by Function.....	94
Schedule 22 – Five-Year Financial Summaries	95

INTERNAL CONTROL AND COMPLIANCE REPORTS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	96-97
Independent Auditor’s Report on Compliance and report on Internal Control Over Compliance as Required by the <i>State Compliance Audit Guide</i>	98-99

INTRODUCTORY SECTION



November 14, 2017

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, 2017.

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.

Gilbert & Stewart, 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, 2017, 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 Gilbert & Stewart 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 30,134 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

Sense of Community

- Connect and engage residents and business partners via the use of a multifaceted communications and engagement strategy which effectively utilizes multiple communication media and citizen/business learning experiences such as a citizens' academy.
- Utilize entryway signage and other visual elements to clearly identify city boundaries.
- Conduct a feasibility study associated with the development of a new community recreation center. Study elements should include an analysis of all possible funding, as well as one-time and ongoing costs, preferred amenities, land acquisition costs and possible locations, and all other elements that will enable the elected body and citizens to determine a development timeline.
- Create a civic identity by working toward the development of a new city hall, library, and other elements congruent with a new city center.
- Celebrate the achievements and accomplishments of our residents and businesses.

Natural Beauty and Community Aesthetics

- Employ policies and initiatives to preserve green space and open space where appropriate and practicable.
- Develop and implement a plan for significant lakefront preservation as venues for community amenities that expand public enjoyment of this unique natural resource.
- Protect and celebrate our natural environment.
- Utilize enforcement and communication/education tools to educate residents and businesses regarding the importance and civic responsibility associated with keeping our community clean and appealing.
- Reevaluate community-building guides/codes, promoting modifications that clarify policies, streamline processes, and encourage quality and aesthetically contributing development.
- Promote a diversity of quality architectural styles and standards.
- Expand the city's inventory of trees.

Quality Planning and Growth

- Conduct a General Plan review.
- Clarify, simplify, and deregulate the development process.
- Develop and implement a comprehensive economic development strategic plan.
- Modify the General Plan to anticipate and plan for major amenities – cemetery, hospital, movie theater, Civic Center, etc.
- Communicate trade-offs between development/density and economic development.
- Ensure city zoning prescribes a feathering approach to densities.
- Look at “Age in place” development possibilities.

Healthy and Safe Community

- Develop police and fire protection in a manner that accommodates the needs of future growth.
- Develop and continue maintenance of parks and trails.

- Implement the trails master plan and continue the development of trails.
- Expand youth and adult sports/recreation programming.
- Plan for the development of a senior center and creation of additional senior living options.
- Plan for the development of public amenities that facilitate the use and enjoyment of the city's natural assets (e.g. Lakefront picnic tables, beach, fire pits, boardwalk, expanded parking, etc.)

Transportation

- Long-term planning for major roads and corridors.
- Adequate ingress/egress for residential developments.
- Proactive and timely maintenance of roads and street lights

Fiscal Sustainability and Responsibility

- Ensure that adequate funding is in place to support and maintain all future projects.
- Create a comprehensive fiscal sustainability plan.
- Ensure that all primary master plans are up to date and reviewed on a regular basis and that maintenance of infrastructure is performed in a proactive and timely manner.
- Appropriately use bonding as a means of funding projects that will benefit multiple generations of residents. As part of this, develop a communications strategy to inform residents regarding generational equity. (i.e. - how bonding enables municipal government to place the cost burden on those who benefit from the use of major amenities and infrastructure).

Update on Major Projects

Project	Estimated Cost	Description	Status
Marina Pump Station	\$4.6 million	To provide water source in the south end of the City	98% done, working on final punch list
Zone 1 North Pond	\$3.2 million	Pond will service the north and middle of the City.	Design under review at state engineer's office, division of dam safety
Inlet Park Outfall Upsize	\$3.1 million	Creating alternate sewer line through Legacy Farms to accommodate flow capacity.	Under design, just beginning
Police Facility	\$3 million	New facility for Police and Justice Court departments.	Under design, 50%
Zone 2 South Pond	\$2.3 million	Serve as storage for the Marina pump project	On hold awaiting development activity
Zone 2 North Pond	\$2.3 million	Provide capacity in the north part of the City	On hold, developer is building zone 3 facilities first and then will build zone 2 after capacity in Zone 3 is maxed out.
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.	Done
Foothill South Pipeline and Pump Station	\$1.75 million	Provide transmission of water from Israel Canyon Pond to Fox Hollow	Done

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, 2016, 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.

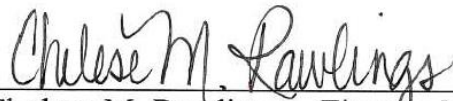
The City of Saratoga Springs received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for years 2011-2015 and 2016. In order to qualify for the award, the staff must prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure.

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 Gilbert & Stewart, 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, 2017

Mayor Jim Miller

Email: jmiller@saratogaspringscity.com

Term: 01/2014 - 01/2018

Council Member Ryan Poduska

Succeeded Bud Poduska as of August 2017

Email: rpoduska@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

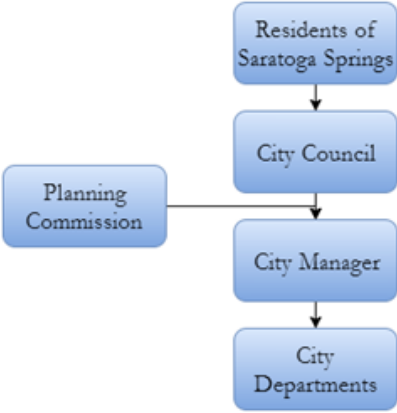
Email: cporter@saratogaspringscity.com

Term: 01/2016 - 01/2020

ORGANIZATIONAL CHARTS

FY2017

Overall City Structure



City Departments



Certificate of Achievement for Excellence in Financial Reporting



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, 2016

A handwritten signature in black ink, reading "Jeffrey R. Egan".

Executive Director/CEO

FINANCIAL SECTION



GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

RANDELA HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Saratoga Springs
Saratoga Springs, Utah

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, Utah (the City), as of and for the year ended June 30, 2017, 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 opinions 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 from material misstatement.

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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, as of June 30, 2017 and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and the required supplementary information regarding pensions, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and 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, supplemental information, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and budgetary comparisons, as listed as supplemental information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and budgetary comparisons are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied to 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 October 20, 2017 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 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.

Gilbert & Stewart

GILBERT & STEWART, CPA PC
October 20, 2017

CITY OF SARATOGA SPRINGS, UTAH
Management's Discussion and Analysis (Unaudited)
June 30, 2017

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, 2017. 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, 2017, were \$229,334,808. Of this amount, \$31,989,284 (unrestricted net position) is available to meet ongoing financial obligations.
- The City's government-wide net position increased by \$5,394,764. Of this amount, business-type activities increased by \$5,767,973, a rise of 4.8 percent, and the governmental activities decreased by \$373,209 a decrease of 0.4 percent when compared to last fiscal year.
- The City's governmental funds reported a combined ending fund balance of \$35,415,734, an increase of \$19,766,931 (126.3 Percent) compared to the beginning of this year's fund balance amount. The increase in fund balance in comparison to last fiscal year is attributable to an increase in fund balances committed for capital projects. Of the combined total fund balance, \$3,662,232 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, 2017, totaled \$3,662,232 and is 24.5 percent of the General Fund total revenues for the year and 10.3 percent of total governmental fund balance.
- The City's total debt had a net increase of \$22,953,304 during fiscal year 2017. This represents a 85.2 percent increase over the prior year, this is a result from issuing 2016 Water revenue Bonds, 2017 Sales Tax Bonds and 2016 Special Assessment Bonds in conjunction with required debt service payments.

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

CITY OF SARATOGA SPRINGS
Management Discussion and Analysis (Unaudited)
June 30, 2017

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 Position and the Statement of Activities.

The **Statement of Net Position** includes all of the City's assets and liabilities, and the resulting difference between the assets and liabilities, or net position. Net position (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 position 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 position 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

CITY OF SARATOGA SPRINGS
Management Discussion and Analysis (Unaudited)
June 30, 2017

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 32 and 34. 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 29-32 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 35, a budgetary comparison statement has been provided for the general fund to demonstrate budgetary compliance.
- **Internal Service Fund** is used to account for the central financing of goods or services provided to various departments of the City or other governments on a cost-reimbursement basis. The City currently has one internal service fund. The Street Lighting Fund provides storage, repair, and maintenance.
- **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital improvements. These funds do not account for capital improvements financed by the proprietary funds.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The only proprietary fund type used by the City is enterprise funds. The basic proprietary fund financial statements can be found on pages 37-39 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
Management Discussion and Analysis (Unaudited)
June 30, 2017

FINANCIAL ANALYSIS OF THE CITY AS A – WHOLE

Net position – The following table presents summary information for the Statement of net position for the years ended June 30, 2017 and 2016.

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

	Governmental		Business-Type		Total		Total %
	Activities		Activities				
	2017	2016	2017	2016	2017	2016	Change
Current and other assets	\$ 43.8	\$ 27.8	\$ 23.9	\$ 22.7	\$ 67.7	\$ 50.5	34.1%
Capital assets	87.5	89.8	137.2	127.2	224.7	217.0	3.5%
Total assets	131.3	117.6	161.1	149.9	292.4	267.5	9.3%
Deferred outflows of resources	1.9	1.3	0.3	0.2	2.2	1.5	46.7%
Total assets and deferred outflows of resources	133.2	118.9	161.4	150.1	294.6	269.0	9.5%
Long-Term debt	17.8	5.5	29.7	21.5	47.5	27	75.9%
Other liabilities	9.8	10.2	4.8	7.4	14.6	17.6	-17.0%
Total liabilities	27.6	15.7	34.5	28.9	62.1	44.6	39.2%
Deferred inflows of resources	3.1	0.3	0.1	0.1	3.2	0.4	700.0%
Net assets							
Net investment in capital assets	84.6	86.4	112.8	107.0	197.4	193.4	2.1%
Unrestricted	17.9	16.5	14.0	14.1	31.9	30.6	4.2%
Total net position	102.5	102.9	126.8	121.1	229.3	224.0	2.4%
Total liabilities, deferred inflows of resources and net position	\$ 133.2	\$ 118.9	\$ 161.4	\$ 150.1	\$ 294.6	\$ 269.0	9.5%

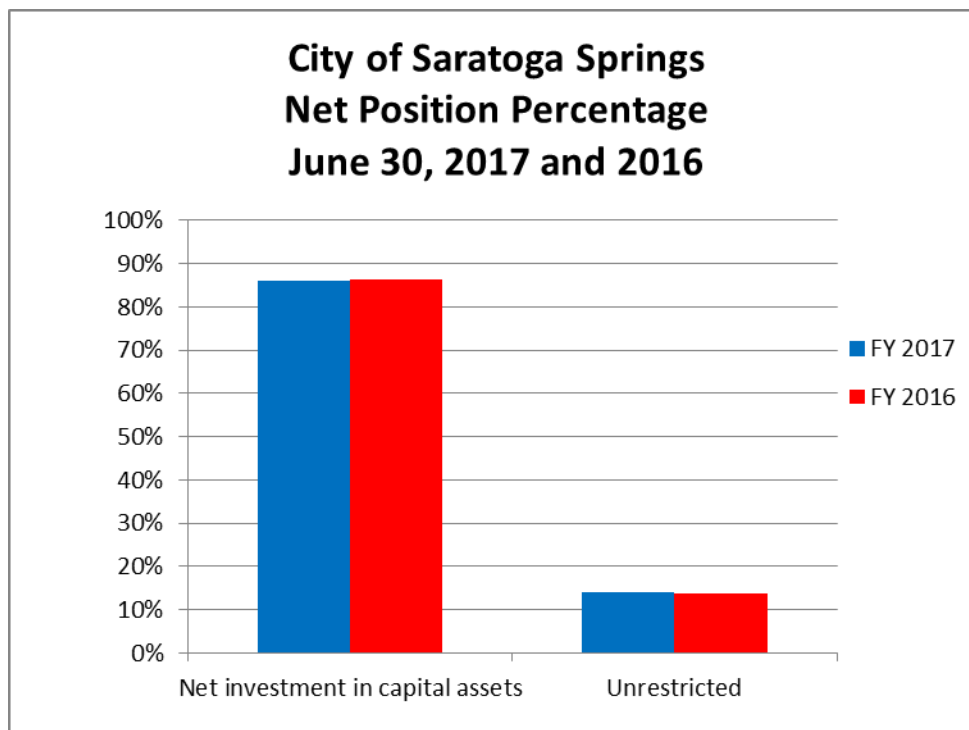
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2017, the City's assets exceeded liabilities by approximately \$229.3 million (net position) compared to \$224.0 million at June 30, 2016. This would indicate an improved financial position in comparison to last fiscal year. Roughly 86.1 percent at June 30, 2017, and 86.3 percent at June 30, 2016, of these amounts are represented by the net investment in capital assets 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 net investment in capital assets, it

CITY OF SARATOGA SPRINGS
Management Discussion and Analysis (Unaudited)
June 30, 2017

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 net investment in capital assets of \$4.0 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 position is unrestricted. The balance of \$31.9 million at June 30, 2017 and \$30.6 million at June 30, 2016, 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 general revenues and some charges for services.

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



CITY OF SARATOGA SPRINGS
Management Discussion and Analysis (Unaudited)
June 30, 2017

Changes in Net Position – As taken from the Statement of Activities, the following table signifies the changes in net position for fiscal years 2017 and 2016.

Summary of Change in Net Assets
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2017	2016	2017	2016	2017	2016	
Revenues							
Program Revenues							
Charges for Services	\$ 6.1	\$ 10.5	\$ 14.1	\$ 17.1	\$ 20.2	\$ 27.6	-26.8%
Operating grants and contributions	0.2	0.2	0.2	-	0.4	0.2	100.0%
Capital grants and contributions	6.8	10.8	5.2	17.8	12.0	28.6	-58.0%
General Revenues							
Property Tax	2.9	3.0	-	-	2.9	3	-3.3%
Other Taxes	4.9	4.3	-	-	4.9	4.3	14.0%
Investment earnings	0.3	0.2	-	0.1	0.3	0.3	0.0%
Other	-	-	-	-	-	-	-100.0%
Total Revenues	21.2	29.0	19.5	35.0	40.7	64.0	-36.4%
Expenses							
General government	2.7	2.5	-	-	2.7	2.5	8.0%
Public safety	6.7	6.0	-	-	6.7	6.0	11.7%
Highways and public improvements	5.9	6.0	-	-	5.9	6	-1.7%
Parks and recreation	3.5	2.0	-	-	3.5	2	75.0%
Interest on long-term debt	0.4	0.1	-	-	0.4	0.1	300.0%
Water utility	-	-	7.8	6.3	7.8	6.3	23.8%
Sewer utility	-	-	3.5	4.2	3.5	4.2	-16.7%
Garbage utility	-	-	1.2	0.9	1.2	0.9	33.3%
Storm drain utility	-	-	0.9	1.1	0.9	1.1	-18.2%
Total Expenses	19.2	16.6	13.4	12.5	32.6	29.1	12.0%
Change in net position	2.00	12.6	5.8	22.4	7.8	35.0	-77.7%
Net position beginning	102.9	90.3	121.0	98.7	223.9	189.0	18.5%
Net Position as restated	(2.4)				(2.4)		
Net position ending	<u>\$ 102.5</u>	<u>\$ 102.9</u>	<u>\$ 126.8</u>	<u>\$ 121.1</u>	<u>\$ 229.3</u>	<u>\$ 224.0</u>	<u>2.4%</u>

Net position decreased from governmental activities in fiscal year 2017 approximately \$0.4 million and increased \$12.6 million in fiscal year 2016. The decrease is primarily due to restating the net position for property tax deferred revenue. Expenses for governmental activities were higher with a \$2.6 million increase. This is mainly due to increase in personnel costs and expenses for capital projects.

Net position increased \$5.7 million in fiscal year 2017 and increased \$22.4 million in 2016 for business-type activities. The revenues for business-type activities increased in charges for services and developer

CITY OF SARATOGA SPRINGS
Management Discussion and Analysis (Unaudited)
June 30, 2017

contributions.

Revenues – For the year ended June 30, 2017, the City’s government-wide revenues are approximately \$40.7 million as compared to the prior year total revenues of \$64.0 million. Key elements of this change were as follows:

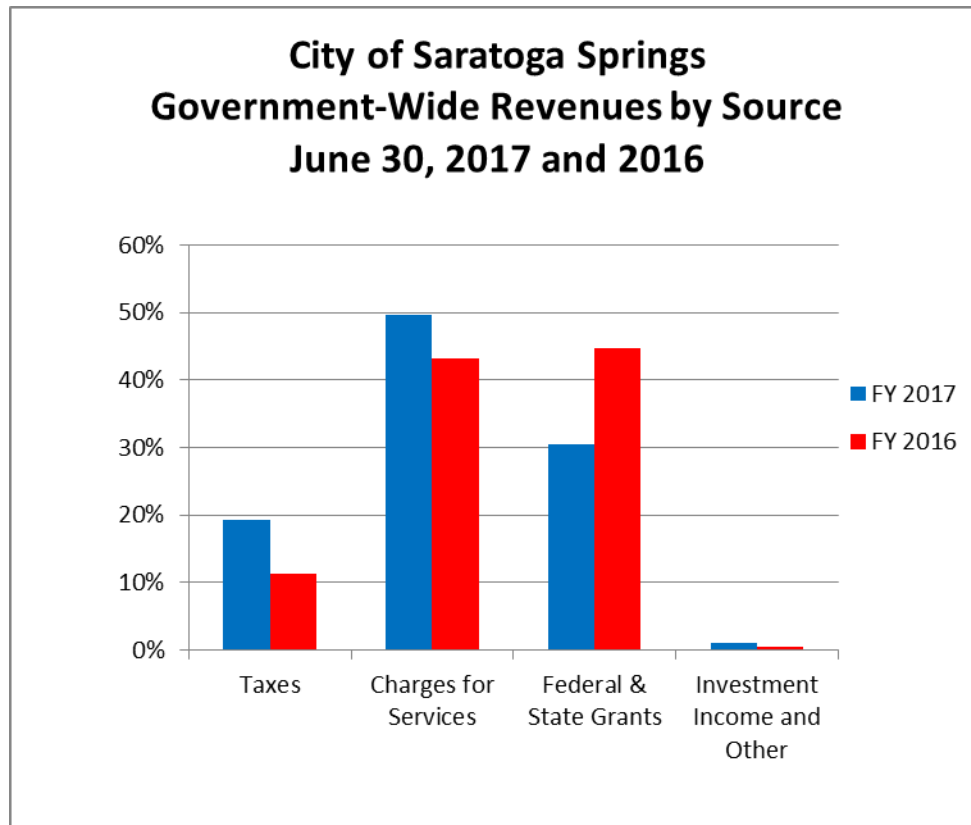
Of the City’s total revenues, about 18.7 percent in fiscal year 2017 and 11.4 percent in fiscal year 2016 resulted from taxes (under half of which is from property taxes) as shown in the following table:

City of Saratoga Springs
(in millions of dollars)

	Government-wide Tax Revenues		Total %
	2017	2016	Change
Property tax	\$ 2.8	\$ 3.0	-7%
General sales and use tax	3.6	3.2	13%
Franchise fees	0.2	0.2	0%
Energy Tax	1.0	0.9	11%
Total	<u>\$ 7.6</u>	<u>\$ 7.3</u>	<u>4%</u>

- Charges for services decreased in fiscal year 2017 about \$7.4 million and was 49.6 percent of total revenues in fiscal year 2017 from 43.2 percent in fiscal year 2016. The decrease is due to not including impact fees in the category of Charges for services.
- Operating and capital contributions combined decreased by \$16.4 million in fiscal year 2017. This was due to less capital and operating grant revenues received, combined with less developer contributions.
- Investment and other income, which is a combination of interest earnings and gain on the sale of capital assets, remained the same in fiscal year 2017.

CITY OF SARATOGA SPRINGS
Management Discussion and Analysis (Unaudited)
June 30, 2017



Expenses – The City’s government-wide total expenses cover a range of services. For the year ended June 30, 2017, the City’s total expenses are \$32.6 million compared to the prior year of \$29.1 million. Of the \$3.5 million increase, general government expenses increased \$0.2 million, public safety increased \$0.7 million, highways and public improvements decreased \$0.1 million, parks and recreation increased \$1.5 million, interest on long-term debt increased \$0.3 million, and business-type activities increased by \$0.9 million.

Governmental Activities:

Revenue Highlights:

- Taxes encompass a sizable source of revenue for the City’s governmental activities: Roughly \$7.6 million or 35.8 percent in fiscal year 2016 and \$7.3 million or 25.2 percent in fiscal year 2016 of total revenues from governmental activities. The \$0.3 million increase is majorly from property and other taxes.
- Charges for services decreased to \$6.1 million or 28.8 percent of total revenues from governmental activities in fiscal year 2017 from \$10.5 million or 36.2 percent of total governmental activities revenues in fiscal year 2016. The decrease in fiscal year 2016 is a result from not including impact fees as a charge for service in fiscal year 2017.

CITY OF SARATOGA SPRINGS
Management Discussion and Analysis (Unaudited)
June 30, 2017

- Grant and contribution revenue denotes approximately \$7.0 million or 33.0 percent in fiscal year 2017 and \$11.0 million or 38.0 percent in fiscal year 2016 of total revenues from governmental activities. The \$4.0 million decrease was the effect of less grants and contributions received as compared to last fiscal year.

Expense Highlights:

- General government expenses of around \$2.7 million in fiscal year 2017 and \$2.5 million in fiscal year 2016 represented 14.1 percent in fiscal year 2017 and 15.1 percent in fiscal year 2016 of total expenses from governmental activities. General government includes: Legislative, Administration, Utility billing, Treasury, Recorder, Attorney, Justice Court, Elections, and non-departmental. The \$0.2 million increase is due mainly due to an increase in personnel.
- Public safety expenses were \$6.7 million or 34.9 percent in fiscal year 2017 and \$6.0 million or 36.2 percent in fiscal year 2016. The expenses are higher due to increased personnel.
- Highways and public improvements were \$5.9 million or 30.7 percent in fiscal year 2017 and \$6.0 million or 36.2 percent in fiscal year 2016. The \$0.1 million decrease is due to less road and general capital projects.
- Parks and recreation expenses were \$3.5 million or 18.2 percent in fiscal year 2017 and \$2.0 million or 12.1 percent in fiscal year 2016. The \$0.7 million decrease is due to more capital projects, more purchase of equipment and increased personnel.

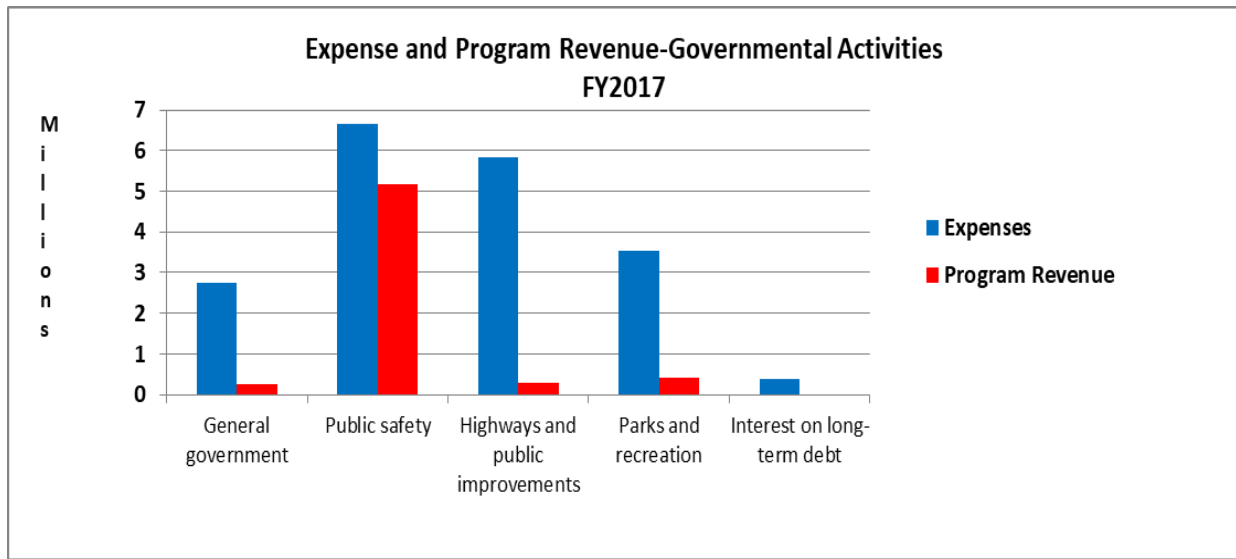
As a result, total net expenses that were funded by general revenues were \$6.0 million. Tax revenues of \$7.6 million were sufficient to fund net expenses in fiscal year 2017.

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 %
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>
General government	\$ 2.7	\$ 2.5	\$ (2.5)	\$ (2.5)	0.0%
Public safety	6.7	6.0	(0.7)	4.5	-115.6%
Highways and public improvements	5.9	6.0	(0.5)	(6.5)	92.3%
Parks and recreation	3.5	2.0	(1.9)	(0.5)	280.0%
Interest on long-term debt	0.4	0.1	(0.4)	0.1	100.0%
Total	<u>\$ 19.2</u>	<u>\$ 16.6</u>	<u>\$ (6.0)</u>	<u>\$ (4.9)</u>	<u>22.4%</u>

CITY OF SARATOGA SPRINGS
Management Discussion and Analysis (Unaudited)
June 30, 2017



Based on Government-Wide Financial Statements. See page 30.

Business-type Activities:

The City's business-type activities increased net position by \$5.8 million. Key elements of this increase were as follows:

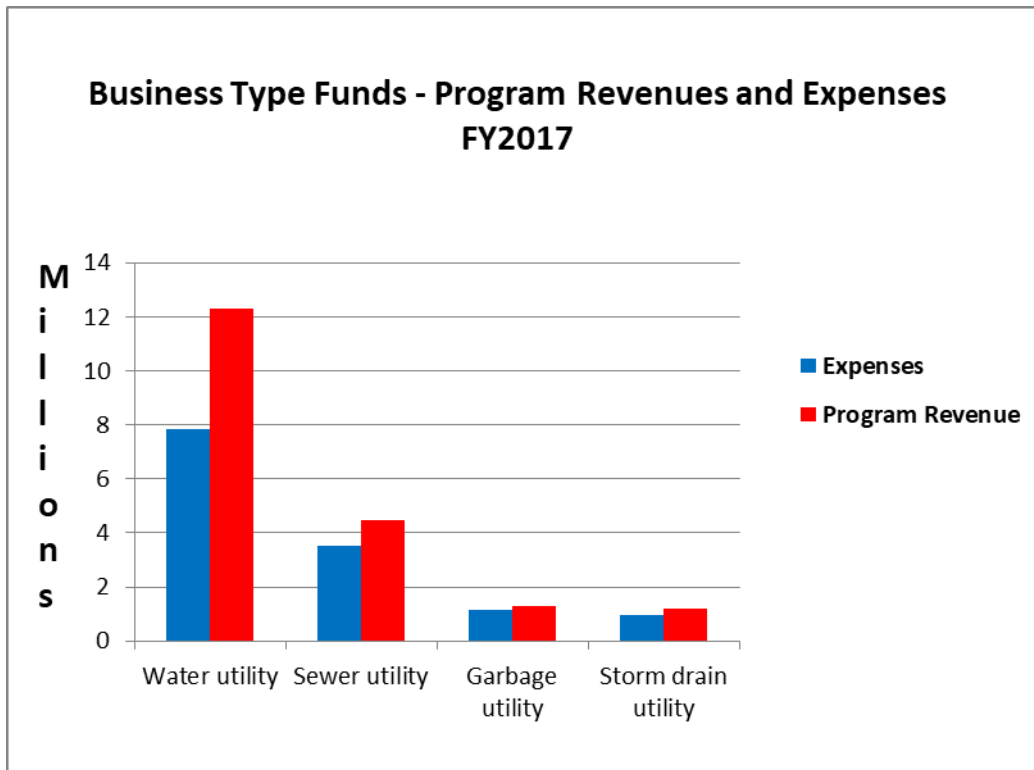
Revenue Highlights:

- Charges for services for business-type activities decreased by \$3.0 million for fiscal year 2017. This is mainly due to not including impact fees in the charges for services category.
- Operating and capital grants and contributions decreased about \$12.4 million in fiscal year 2017. The \$12.4 million decrease is due to less developer contributions and grants.
- Investment earnings decreased slightly in fiscal year 2017.

Expense Highlights:

- Personnel expenses decreased approximately \$0.1 million due to unfilled positions in the utility funds.
- Supplies and maintenance expenses decreased by \$0.3 million. The decrease is due to an increase of purchase of water meters coupled with decreases in sewer capital projects.
- Professional services expenses decreased slightly. The decrease is due to lower consulting services to prepare for various upcoming capital projects
- Treatment and sanitation expenses decreased approximately \$0.1 million due to decrease in water treatment costs.

CITY OF SARATOGA SPRINGS
Management Discussion and Analysis (Unaudited)
June 30, 2017



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, 2017, the aggregate fund balance of the City's governmental funds was \$35.4 million, an increase of \$19.8 million in comparison with the fiscal year ended June 30, 2016. In fiscal year 2017, about \$3.7 million or 10.5 percent of this amount is unassigned fund balance compared to about \$2.8 million or 17.9 percent in fiscal year 2016. Unassigned fund balance categories are available for appropriation by the City Council at their discretion.

Committed fund balance which have externally enforceable limitations on use are not available for new spending and are approximately \$25.4 million in fiscal year 2017 and \$12.5 million in fiscal year 2016. The remainder of the fund balance of \$5.4 million is assigned. Of the assigned fund balance, \$0.4 million is assigned to street lighting and \$5.9 million is for debt service. In fiscal year 2016 the assigned fund balance was about \$0.4 million with \$0.4 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 (\$802,965) and a 25.0 percent maximum (\$4,014,829) limit to the amount that may be accumulated as the fund balance in the General Fund. As of June 30, 2017 the unassigned fund balance

CITY OF SARATOGA SPRINGS
Management Discussion and Analysis (Unaudited)
June 30, 2017

of the General Fund was \$3,662,232 and was \$352,597 below the 25.0 percent limit. The unassigned fund balance increased by \$893,387 in fiscal year 2017. The main reason for increased fund balance is less transfers to the capital projects fund to fund currently budgeted projects. The unassigned fund balance in fiscal year 2016 decreased by \$220,231.

As of June 30, 2017, the restricted fund balance in the Capital Projects Fund was \$25.4 million. In fiscal year 2016 the restricted fund balance was \$12.5 million and the remaining fund balances combined were \$6.3 million. The \$12.9 million increase in restricted fund balance resulted from increased revenues through bonding for secondary water projects and parks.

As of June 30, 2017, the assigned fund balance was \$6.3 million. In fiscal year 2016 the assigned fund balance was \$0.4 million. The increase of fund balance resulted from increased debt service in fiscal year 2017 as compared to fiscal year 2016.

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 position of the City's enterprise funds totaled about \$126.8 million at June 30, 2017, as compared to \$121.1 million at the end of fiscal year 2016. Net position at the end of fiscal year 2017 and 2016 for each of these funds were:

**City of Saratoga Springs
Proprietary Funds**

Fund	Amount		Change
	<u>2017</u>	<u>2016</u>	
Water Utility	\$ 83,128,056	\$ 78,689,538	\$ 4,438,518
Sewer Utility	23,541,859	22,607,717	934,142
Storm Drain Utility	20,014,688	19,651,732	362,956
Garbage Utility	150,744	118,387	32,357
Total	<u>\$ 126,835,347</u>	<u>\$ 121,067,374</u>	<u>\$ 5,767,973</u>

The net increase in net position from the prior year was \$5.7 million as compared to an increase of \$22.4 million in fiscal year 2016. Operating revenues increased \$0.3 million as compared to a \$1.1 million increase change in fiscal year 2016.

The Water Utility operating revenues decreased by \$0.3 million due to decreased connection and user fees in conjunction with more users and conservation methods encouraged. The Sewer Utility operating revenues increased by \$0.3 million in comparison to the previous fiscal year due to most likely due to more users. The Storm Drain Utility operating revenues increased \$0.1 million, the small increase was a result of increased storm utility fees collected.

Water Utility net investment in capital assets increased by \$6.3 million in fiscal year 2017 primarily due to increased accumulated depreciation, routine acquisition and disposition of capital assets, and depreciation expense. Unrestricted net position decreased about \$1.9 million.

CITY OF SARATOGA SPRINGS
Management Discussion and Analysis (Unaudited)
June 30, 2017

Sewer utility net investment in capital assets decreased by \$0.5 million, unrestricted net position increased by \$1.4 million. The decrease in net investment in capital assets was due to the net acquisition of capital assets, disposition of capital assets and depreciation expense.

Storm Drain Utility net investment in capital assets decreased minimally, unrestricted net position increased by \$0.4 million resulting in a net increase of total net position of less than \$0.4 million.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget for expenditures of less than \$0.5 million (net increase) can be summarized as follows:

- More than \$0.1 million increase in general government resulting from increases in general government personnel.
- More than \$0.2 million increase in public safety from Wildland expenses, public safety personnel.
- Minimal increase in highways and streets.
- Less than \$0.1 million increase in Parks and recreation for increased personnel.

Total actual expenditures came in \$3.0 million below the final budget. The differences between actual and the final budget can be briefly summarized as follows:

- The final budget was \$1.1 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 \$0.4 million more than the actual expenditures in public safety. This difference was attributed to actuals less than budget in salaries and wages and professional contract services.
- The final budget was \$1.3 million more than the actual expenditures in highways and public improvements. This difference was attributed to coming in under budget in salaries and wages, employee benefits, street maintenance equipment and vehicle lease payments.
- The final budget was \$0.2 million more than actual expenditures in parks and recreation. The difference was coming in under budget in salaries and wages, employee benefits, vehicle lease payments, and supplies.

Actual revenues of \$14.9 million were below the final budgeted revenues of \$15.2 million by \$0.3 million. This is mainly due to decreased property tax redemptions, penalties and interest some development fees, and marina launch fees (marina closed to public much of the summer due to a secondary water project).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for is governmental and business-type activities totaled \$25.0 million (net of \$94.2 million accumulated depreciation) at June 30, 2016, as compared to \$217.0 million (net of \$83.2 million accumulated depreciation) at June 30, 2016. This investment in capital assets includes land, water rights, buildings, equipment, infrastructure, water capacities, culinary

CITY OF SARATOGA SPRINGS
Management Discussion and Analysis (Unaudited)
June 30, 2017

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, 2017 include:

Governmental Activities:

- \$1.9 million Developer Streets Infrastructure Contributions
- \$0.6 million Land Purchase – Sports Complex
- \$0.2 million 400 S. Widening

Business-type Activities:

- \$4.7 million Marina Pump Station
- \$2.2 million ULDC Pump Station
- \$2.1 million Developer Water Infrastructure Contributions

Additional information on the City's capital assets can be found in Note 4 – Capital Assets on page 48 of this report.

Long-Term Debt: Long-term debt for governmental activities increased by over \$15.4 million in comparison with fiscal year 2016. Business-type activities debt increased in fiscal year 2017 by \$9.7 million when compared with fiscal year 2016. Please see note 12 for details concerning long-term debt on Page 60.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for Utah County was 3.0 percent compared with the State unemployment rate of 3.4 percent and a national rate of 4.4 percent.
- The fiscal year 2017 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.

CITY OF SARATOGA SPRINGS
Management Discussion and Analysis (Unaudited)
June 30, 2017

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, 2017

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 23,924,363	\$ 15,937,195	\$ 39,861,558
Cash restricted	15,798,458	6,688,647	22,487,105
Accounts receivable - net	1,286,323	1,379,410	2,665,733
Internal balances	146,814	(146,814)	-
Due from other governmental units	2,648,789	-	2,648,789
Net pension asset	4,648	-	4,648
Capital assets			
Land	20,710,163	554,841	21,265,004
Water rights	-	15,954,480	15,954,480
Construction in progress	851,784	4,093,925	4,945,709
Buildings and improvements	6,069,799	-	6,069,799
Equipment	5,577,760	1,677,752	7,255,512
Infrastructure	106,600,081	156,820,620	263,420,701
Accumulated Depreciation	(52,305,959)	(41,870,066)	(94,176,025)
Total assets	131,313,023	161,089,990	292,403,013
DEFERRED OUT FLOW OF RESOURCES			
Pension related costs	1,929,699	276,355	2,206,054
Total Deferred outflow of resources	1,929,699	276,355	2,206,054
 Total assets and deferred outflows of resources	<u>\$ 133,242,722</u>	<u>\$ 161,366,345</u>	<u>\$ 294,609,067</u>
LIABILITIES			
Accounts payable	\$ 750,027	\$ 2,791,615	\$ 3,541,642
Accrued liabilities	364,000	-	364,000
Deposits payable	4,626,197	172,838	4,799,035
Net pension liability	2,616,460	269,657	2,886,117
Accrued interest payable	151,074	46,529	197,603
Long-term liabilities			
Due within one year	1,298,440	1,765,460	3,063,900
Due in more than one year	17,828,608	29,412,664	47,241,272
Total liabilities	27,634,806	34,458,763	62,093,569
DEFERRED INFLOWS OF RESOURCES			
Pension related costs	459,666	72,235	531,901
Property taxes levied for future years	2,648,789	-	2,648,789
Total deferred inflow of resources	3,108,455	72,235	3,180,690
NET POSITION			
Net investment in capital assets	84,573,253	112,772,271	197,345,524
Unrestricted	17,926,208	14,063,076	31,989,284
Total net position	102,499,461	126,835,347	229,334,808
 Total liabilities, deferred inflows of resources and net position	<u>\$ 133,242,722</u>	<u>\$ 161,366,345</u>	<u>\$ 294,609,067</u>

CITY OF SARATOGA SPRINGS
Statement of Activities
For the Year Ended June 30, 2017

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,740,131	\$ 257,321	\$ -	\$ -	\$ (2,482,810)	\$ -	\$ (2,482,810)
Public safety	6,654,993	5,175,558	242,108	544,850	(692,477)	-	(692,477)
Highways and public works	5,850,964	285,091	-	5,068,296	(497,577)	-	(497,577)
Parks and recreation	3,532,875	416,750	-	1,143,542	(1,972,583)	-	(1,972,583)
Interest on long-term debt	392,392	-	-	-	(392,392)	-	(392,392)
Total governmental activities	19,171,356	6,134,720	242,108	6,756,688	(6,037,840)	-	(6,037,840)
Business-type activities:							
Major Funds							
Water	7,828,265	7,934,650	-	4,362,981	-	4,469,366	4,469,366
Sewer	3,541,052	4,255,070	-	226,663	-	940,681	940,681
Storm Drain	954,935	755,522	-	562,369	-	362,956	362,956
Non Major Funds							
Garbage	1,171,046	1,203,403	-	-	-	32,357	32,357
Street Lights	-	-	-	-	-	-	-
Total business-type activities	13,495,298	14,148,645	-	5,152,013	-	5,805,360	5,805,360
Total primary government	\$ 32,666,654	\$ 20,283,365	\$ 242,108	\$ 11,908,701	(6,037,840)	5,805,360	(232,480)
General revenues:							
Property taxes					\$ 2,849,625	\$ -	\$ 2,849,625
General sales and use tax					3,639,272	-	3,639,272
Franchise taxes					227,184	-	227,184
Energy taxes					1,003,254	-	1,003,254
Interest earnings					304,412	-	304,412
Transfers					37,387	(37,387)	-
Total general revenues and transfers					8,061,134	(37,387)	8,023,747
Change in net Position					2,023,294	5,767,973	7,791,267
Net position- beginning					102,872,670	121,067,374	223,940,044
Net position as restated (see note13)					(2,396,503)	-	(2,396,503)
Net position - ending					\$ 102,499,461	\$ 126,835,347	\$ 229,334,808

CITY OF SARATOGA SPRINGS
Balance Sheet
For the Year Ended June 30, 2017

	Major Funds			Nonmajor Fund	Total
	General Fund	Capital Projects	Debt Service	Special Revenue	Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,852,221	\$ 15,621,126	\$ 45,136	\$ 405,880	\$ 23,924,363
Cash - restricted	-	9,916,863	5,881,595	-	15,798,458
Accounts receivable - net	1,096,218	164,110	-	25,995	1,286,323
Due from other funds	296,275	-	-	-	296,275
Due from other governments	2,648,789	-	-	-	2,648,789
Total assets	<u>\$ 11,893,503</u>	<u>\$ 25,702,099</u>	<u>\$ 5,926,731</u>	<u>\$ 431,875</u>	<u>\$ 43,954,208</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable & accrued liabilities	\$ 531,692	\$ 217,909	\$ -	\$ 426	\$ 750,027
Due to other funds	149,461	-	-	-	149,461
Accrued liabilities	364,000	-	-	-	364,000
Deposits	4,537,329	88,868	-	-	4,626,197
Total liabilities	<u>5,582,482</u>	<u>306,777</u>	<u>-</u>	<u>426</u>	<u>5,889,685</u>
Deferred inflows of Resources:					
Property taxes levied for future years	2,648,789	-	-	-	2,648,789
Total deferred inflows of resources	<u>2,648,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,648,789</u>
Fund Balances:					
Fund balances committed for:					
Capital projects	-	25,395,322	-	-	25,395,322
Assigned, for:	-	-	-	-	-
Street lights	-	-	-	431,449	431,449
Debt service	-	-	5,926,731	-	5,926,731
Unassigned:	3,662,232	-	-	-	3,662,232
Total fund balances	<u>3,662,232</u>	<u>25,395,322</u>	<u>5,926,731</u>	<u>431,449</u>	<u>35,415,734</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,893,503</u>	<u>\$ 25,702,099</u>	<u>\$ 5,926,731</u>	<u>\$ 431,875</u>	<u>\$ 43,954,208</u>

CITY OF SARATOGA SPRINGS
Balance Sheet Reconciliation to Statement of Net Position – Governmental Funds
June 30, 2017

Total fund balances - governmental fund types: \$ 35,415,734

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 87,503,628

Net pension assets and deferred outflows of resources are not available financial resources and are not reported in the governmental funds. 1,934,347

Net pension liabilities and deferred inflows of resources are not available financial resources and are not reported in the governmental funds. (3,076,126)

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

Bonds payable	\$ (18,165,000)	
Capital lease payable	(108,543)	
Bond premium	(304,216)	
Accrued interest	(151,074)	
Compensated absences	<u>(549,289)</u>	(19,278,122)

Net assets of government activities	<u>\$ 102,499,461</u>
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CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds			Nonmajor Fund	Total
	General	Capital Projects	Debt	Special	Governmental
	Fund	Fund	Service	Revenue	Funds
REVENUES					
Taxes	\$ 7,719,336	\$ -	\$ -	\$ -	\$ 7,719,336
Licenses and permits	1,267,524	-	-	-	1,267,524
Intergovernmental	1,298,970	164,110	-	-	1,463,080
Charges for services	3,951,335	-	733,460	102,537	4,787,332
Fines and forfeitures	480,309	-	-	-	480,309
Investment earnings	107,326	173,653	6,271	1,951	289,201
Impact fees	-	2,912,619	-	-	2,912,619
Other	101,372	-	-	-	101,372
Total revenues	<u>14,926,172</u>	<u>3,250,382</u>	<u>739,731</u>	<u>104,488</u>	<u>19,020,773</u>
EXPENDITURES					
Current:					
General government	2,401,736	-	-	60,840	2,462,576
Public safety	6,535,638	18,508	-	-	6,554,146
Highways and public works	968,263	473,839	-	-	1,442,102
Parks and recreation	1,682,890	818,252	-	-	2,501,142
Capital expenditures	-	1,310,587	-	-	1,310,587
Debt service:	-	-	-	-	-
Principal retirement	165,000	-	-	-	165,000
Bond issuance costs	-	197,504	-	-	197,504
Interest and fiscal charges	128,318	-	113,000	-	241,318
Total expenditures	<u>11,881,845</u>	<u>2,818,690</u>	<u>113,000</u>	<u>60,840</u>	<u>14,874,375</u>
Excess revenues over (under)					
expenditures	<u>3,044,327</u>	<u>431,692</u>	<u>626,731</u>	<u>43,648</u>	<u>4,146,398</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	183,719	-	-	-	183,719
Bond proceeds	-	10,099,427	5,300,000	-	15,399,427
Transfers in	-	2,372,046	-	-	2,372,046
Transfers out	(2,334,659)	-	-	-	(2,334,659)
Total other financing sources and uses	<u>(2,150,940)</u>	<u>12,471,473</u>	<u>5,300,000</u>	<u>-</u>	<u>15,620,533</u>
Net change in fund balance	893,387	12,903,165	5,926,731	43,648	19,766,931
Fund balances - beginning of year	2,768,845	12,492,157	-	387,801	15,648,803
Fund balances - end of year	<u>\$ 3,662,232</u>	<u>\$ 25,395,322</u>	<u>\$ 5,926,731</u>	<u>\$ 431,449</u>	<u>\$ 35,415,734</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, 2017

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

Net changes in fund balances - total governmental funds	\$ 19,766,931
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capitalized Expenditures	\$ 1,676,981	
Depreciation Expense	<u>(5,960,448)</u>	
		(4,283,467)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.

Current year capital contributions from developers	1,937,560
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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 the governmental funds

Change in pension related costs	(95,620)	
Change in accrued compensated absences	<u>(42,861)</u>	
		(138,481)

The issuance of long-term debt (e.g., bonds, leases) provide 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 net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond issuance	(15,080,000)	
Bond premium	(319,427)	
Principal repayments on bonds	165,000	
Principal repayments of capital leases	111,041	
Accrued interest	(151,074)	
Bond premium amortization	<u>15,211</u>	
		(15,259,249)

Change in net assets of governmental activities	<u>\$ 2,023,294</u>
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CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund – Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Totals	Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 2,714,269	\$ 2,714,269	\$ 2,849,626	\$ 135,357
Sales	3,000,000	3,300,000	3,639,272	339,272
Franchise	200,000	200,000	227,184	27,184
Energy	862,500	950,000	1,003,254	53,254
Licenses and permits	789,900	839,900	1,267,524	427,624
Intergovernmental	707,952	944,486	1,298,970	354,484
Charges for services	5,606,032	5,812,023	3,951,335	(1,860,688)
Fines and forfeitures	428,900	428,900	480,309	51,409
investment earnings	26,000	26,000	107,326	81,326
Other	30,000	30,000	101,372	71,372
Total revenues	14,365,553	15,245,578	14,926,172	(319,406)
EXPENDITURES				
Current:				
General government	3,353,932	3,496,294	2,401,736	1,094,558
Public safety	6,746,967	6,958,942	6,535,638	423,304
Highways and public works	2,233,637	2,297,144	968,263	1,328,881
Parks and recreation	1,781,942	1,858,589	1,682,890	175,699
Debt Service:				
Principal retirement	165,000	165,000	165,000	-
Interest and fiscal charges	128,500	128,500	128,318	182
Total expenditures	14,409,978	14,904,469	11,881,845	3,022,624
Excess (deficit) of revenues over (under) expenditures	(44,425)	341,109	3,044,327	2,703,218
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	183,719	183,719
Transfers in	-	-	-	-
Transfers out	(2,334,659)	(2,334,659)	(2,334,659)	-
Total other financing sources (uses)	(2,334,659)	(2,334,659)	(2,150,940)	183,719
Net change in fund balance	(2,379,084)	(1,993,550)	893,387	2,886,937
Fund balances - beginning	2,768,845	2,768,845	2,768,845	-
Fund balances - ending	\$ 389,761	\$ 775,295	\$ 3,662,232	\$ 2,886,937

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Totals</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Charges for services	\$ 204,492	\$ 204,492	\$ 102,537	\$ (101,955)
Investment earnings	-	-	1,951	1,951
Total revenues	<u>204,492</u>	<u>204,492</u>	<u>104,488</u>	<u>(100,004)</u>
EXPENDITURES				
General government	<u>159,983</u>	<u>159,983</u>	<u>60,840</u>	<u>99,143</u>
Total expenditures	<u>159,983</u>	<u>159,983</u>	<u>60,840</u>	<u>99,143</u>
Excess (deficit) of				
revenues over (under)				
expenditures	<u>44,509</u>	<u>44,509</u>	<u>43,648</u>	<u>(861)</u>
OTHER FINANCING SOURCES (USES)				
Net change in fund balance	44,509	44,509	43,648	(861)
Fund balances - beginning	<u>387,801</u>	<u>387,801</u>	<u>387,801</u>	<u>-</u>
Fund balances - ending	<u>\$ 432,310</u>	<u>\$ 432,310</u>	<u>\$ 431,449</u>	<u>\$ (861)</u>

CITY OF SARATOGA SPRINGS
Schedule of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities - Enterprise				
	Major Funds			Non Major	
	Water	Sewer	Storm Drain	Funds	Total
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 9,538,139	\$ 4,986,673	\$ 1,343,857	\$ 68,526	\$ 15,937,195
Restricted cash and cash equivalents	6,688,647	-	-	-	6,688,647
Accounts receivable - net	713,065	428,099	77,676	160,570	1,379,410
Due from other funds	6,005,105	4,500	-	-	6,009,605
Total current assets	22,944,956	5,419,272	1,421,533	229,096	30,014,857
Noncurrent assets:					
Capital Assets					
Water rights	15,954,480	-	-	-	15,954,480
Land	554,841	-	-	-	554,841
Construction in progress	3,934,514	158,781	630	-	4,093,925
Water capacities	10,950,988	-	-	-	10,950,988
Culinary water system	80,472,095	-	-	-	80,472,095
Secondary water system	15,333,456	-	-	-	15,333,456
Sewer system	-	26,389,358	-	-	26,389,358
Storm drain system	-	-	23,674,723	-	23,674,723
Equipment	695,901	838,736	143,115	-	1,677,752
Less: Accumulated depreciation	(27,771,964)	(8,924,018)	(5,174,084)	-	(41,870,066)
Total capital assets	100,124,311	18,462,857	18,644,384	-	137,231,552
Net pension asset	-	-	-	-	-
Total noncurrent assets	-	-	-	-	-
Total assets	123,069,267	23,882,129	20,065,917	229,096	167,246,409
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Pension related costs	222,690	53,665	-	-	276,355
Total deferred outflow of resources	222,690	53,665	-	-	276,355
Total assets & deferred outflows of resources	\$ 123,291,957	\$ 23,935,794	\$ 20,065,917	\$ 229,096	\$ 167,522,764
<u>LIABILITIES</u>					
Current liabilities:					
Accounts Payable	\$ 2,462,150	\$ 269,794	\$ 3,622	\$ 56,049	\$ 2,791,615
Due to other funds	6,038,902	47,607	47,607	22,303	6,156,419
Compensated absences	12,354	2,986	-	-	15,340
Customer deposits payable	164,340	8,498	-	-	172,838
Accrued interest payable	46,529	-	-	-	46,529
Bonds and contracts payable - current	1,749,000	-	-	-	1,749,000
Capital leases payable - current	1,120	-	-	-	1,120
Total current liabilities	10,474,395	328,885	51,229	78,352	10,932,861
Noncurrent liabilities:					
Compensated absences	12,843	893	-	-	13,736
Net pension liability	218,850	50,807	-	-	269,657
Bonds and contracts payable	29,398,928	-	-	-	29,398,928
Total noncurrent liabilities	29,630,621	51,700	-	-	29,682,321
Total liabilities	40,105,016	380,585	51,229	78,352	40,615,182
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Pension related costs	58,885	13,350	-	-	72,235
Total deferred outflow of resources	58,885	13,350	-	-	72,235
<u>NET POSITION</u>					
Net investment in capital assets	75,665,030	18,462,857	18,644,384	-	112,772,271
Unrestricted	7,463,026	5,079,002	1,370,304	150,744	14,063,076
Total net position	83,128,056	23,541,859	20,014,688	150,744	126,835,347
Total liabilities, deferred inflows of resources and net position	\$ 123,291,957	\$ 23,935,794	\$ 20,065,917	\$ 229,096	\$ 167,522,764

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds				
	Major Funds			Non Major	
	Water	Sewer	Storm Drain	Funds	Total
Operating revenues:					
Charges for services	\$ 4,427,155	\$ 3,466,911	\$ 530,411	\$ 1,198,295	\$ 9,622,772
Connection and other fees	2,135,072	226,980	-	-	2,362,052
Other	602	-	-	-	602
Total operating revenues	6,562,829	3,693,891	530,411	1,198,295	11,985,426
Operating expenses:					
Personnel Services	473,675	93,704	41,365	-	608,744
Supplies and maintenance	1,572,922	354,172	36,442	69,169	2,032,705
Professional services	25,074	-	-	-	25,074
Administration	1,385,791	694,540	147,641	80,391	2,308,363
Power and pumping	372,373	39,238	7,995	-	419,606
Treatment and sanitation	-	1,390,539	-	1,021,486	2,412,025
Depreciation	3,354,364	968,859	721,492	-	5,044,715
Other	-	-	-	-	-
Total operating expenses	7,184,199	3,541,052	954,935	1,171,046	12,851,232
Operating income	(621,370)	152,839	(424,524)	27,249	(865,806)
Nonoperating revenues (expenses):					
Interest revenue	209,340	48,605	13,373	5,108	276,426
Interest expense and fiscal charges	(644,066)	-	-	-	(644,066)
Total nonoperating revenues (expense)	(434,726)	48,605	13,373	5,108	(367,640)
Net income (loss) before contributions and transfers	(1,056,096)	201,444	(411,151)	32,357	(1,233,446)
Capital contributions	4,362,981	226,663	562,369	-	5,152,013
Impact fees	1,162,481	512,574	211,738	-	1,886,793
Transfers in	-	-	-	-	-
Transfers out	(30,848)	(6,539)	-	-	(37,387)
Total contributions and transfers	5,494,614	732,698	774,107	-	7,001,419
Change in net position	4,438,518	934,142	362,956	32,357	5,767,973
Total net position - beginning	78,689,538	22,607,717	19,651,732	118,387	121,067,374
Total net position - ending	\$ 83,128,056	\$ 23,541,859	\$ 20,014,688	\$ 150,744	\$ 126,835,347

CITY OF SARATOGA SPRINGS

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds				
	Major Funds			Non Major	Total BTAs
	Water	Sewer	Storm Drain	Funds	
Cash Flows From Operating Activities					
Receipts from customers	\$ 6,236,201	\$ 3,613,149	\$ 504,269	\$ 1,146,235	\$ 11,499,854
Payments to suppliers	(95,256)	(2,271,351)	(238,380)	(1,143,273)	(3,748,260)
Payments to interfund services	(1,385,791)	(694,540)	(147,641)	(65,851)	(2,293,823)
Payments to employees	(456,329)	(91,513)	(41,365)	-	(589,207)
Net cash provided (used) by operating activities	4,298,825	555,745	76,883	(62,889)	4,868,564
Cash Flows From Noncapital Financing Activities					
Advance from other funds	(2,222,744)	-	-	22,303	(2,200,441)
Advance to other funds	2,173,593	(6,539)	-	-	2,167,054
Net cash provided (used) by noncapital financing activities	(49,151)	(6,539)	-	22,303	(33,387)
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(11,783,850)	(279,265)	(105,237)	-	(12,168,352)
Impact fees collected	1,162,481	512,574	211,738	-	1,886,793
Revenue bond proceeds	9,710,000	-	-	-	9,710,000
Bond premium proceeds	433,965	-	-	-	433,965
Payments for developer contributions	2,206,063	-	-	-	2,206,063
Principal paid on capital debt	(1,914,743)	-	-	-	(1,914,743)
Interest and fees paid on capital debt	(628,653)	-	-	-	(628,653)
Net cash provided (used) by capital and related financing activities	(814,737)	233,309	106,501	-	(474,927)
Cash Flows From Investing Activities					
Interest and dividends received	187,642	48,605	13,373	5,108	254,728
Net increase (decrease) in cash and cash equivalents	3,622,579	831,120	196,757	(35,478)	4,614,978
Cash and cash equivalents - beginning	12,604,207	4,155,553	1,147,100	104,004	18,010,864
Cash and cash equivalents (deficit) - ending	\$ 16,226,786	\$ 4,986,673	\$ 1,343,857	\$ 68,526	\$ 22,625,842
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ (621,370)	\$ 152,839	\$ (424,524)	\$ 27,249	\$ (865,806)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization expense	3,354,364	968,859	721,492		5,044,715
(Increase)/decrease in accounts receivable	(326,628)	(80,742)	(26,142)	(52,060)	(485,572)
(Increase)/decrease in net pension assets	18	5			23
(Increase)/decrease in deferred outflows	(67,605)	(17,053)			(84,658)
Increase/(decrease) in accounts payable	1,838,113	(487,402)	(193,943)	(38,078)	1,118,690
Increase/(decrease) in compensated absences	7,344	(333)			7,011
Increase/(decrease) in net pension liability	59,491	15,007			74,498
Increase/(decrease) in deferred inflows	18,098	4,565			22,663
Increase/(decrease) in deposits	37,000	-			37,000
Total adjustments	4,920,195	402,906	501,407	(90,138)	5,734,370
Net cash provided (used) by operating activities	\$ 4,298,825	\$ 555,745	\$ 76,883	\$ (62,889)	\$ 4,868,564

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 constraint 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.

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.

B. 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 expenditures 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.)

C. Measurement Focus and Basis of Accounting

Debt Service Fund - The debt service fund is used to account for the debt related to the special assessment area and will be funded by property owner assessments.

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.

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.

Street Light Utility Fund – The Street Light Utility Fund accounts for the street light services of the City for its 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

CITY OF SARATOGA SPRINGS

Notes to the Financial Statements

June 30, 2017

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.

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.

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

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 position and is displayed in three components:

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

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as Non-spendable, Restricted, Committed, Assigned or Unassigned.

Non-spendable 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 includes those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of

CITY OF SARATOGA SPRINGS

Notes to the Financial Statements

June 30, 2017

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.

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) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Deposits and Investments

As of June 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ 58,875,310	85 days*	not rated
Total	<u>\$ 58,875,310</u>		

*Weighted-average maturity

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, 2017 were \$2,223,851 of which \$1,973,851 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 \$170,918 at June 30, 2017.

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.

D. Fair Value of Investments

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

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

As of June 30, 2017 the City had the following recurring fair value measurements:

- PTIF Investments totaling \$58,875,310 valued using the application of the June 30, 2017, fair value factor, as calculated by the Utah State Treasurer which is

therefore valued under level 2.

E. Restricted Cash

The City maintains cash in accounts held by third party custodians that are restricted for the use of bond payments and construction costs. The amount of restricted cash at June 30, 2017 was \$22,487,105.

Note 3 - Accounts Receivable – Unearned and Unavailable Revenue

Accounts receivable are recorded net of the allowance for doubtful accounts of \$23,959 in the enterprise funds. The governmental funds also report unavailable resources from Property taxes of \$2,648,789 as deferred inflows of resources due to property taxes being recognized as receivables prior to the period for which the taxes are levied. This amount is also reported as deferred inflows of resources on the Government-wide statement of net position.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

CITY OF SARATOGA SPRINGS

Notes to the Financial Statements

June 30, 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 20,148,298	\$ 561,865	\$ -	\$ 20,710,163
Construction in process	399,427	452,357	-	851,784
Total	20,547,725	1,014,222	-	21,561,947
Capital assets, being depreciated:				
Buildings	6,059,984	9,815	-	6,069,799
Machinery and equipment	5,283,409	294,351	-	5,577,760
Infrastructure	104,303,928	2,296,153	-	106,600,081
Total	115,647,321	2,600,319	-	118,247,640
Less accumulated depreciation for:				
Buildings	(1,760,415)	(281,596)	-	(2,042,011)
Machinery and equipment	(3,168,459)	(314,702)	-	(3,483,161)
Infrastructure	(41,416,637)	(5,364,150)	-	(46,780,787)
Total	(46,345,511)	(5,960,448)	-	(52,305,959)
Capital assets, being depreciated, net	69,301,810	(3,360,129)	-	65,941,681
Governmental activities capital assets, net	<u>\$ 89,849,535</u>	<u>\$ (2,345,907)</u>	<u>\$ -</u>	<u>\$ 87,503,628</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 53,554	\$ 501,287	\$ -	\$ 554,841
Water rights	15,774,480	180,000	-	15,954,480
Construction in progress	19,373	4,090,816	(16,264)	4,093,925
Total	15,847,407	4,772,103	(16,264)	20,603,246
Capital assets, being depreciated:				
Water capacity	10,950,988	-	-	10,950,988
Culinary water system	78,168,773	2,303,322	-	80,472,095
Secondary water irrigation system	8,431,383	6,902,073	-	15,333,456
Sewer system	26,052,947	336,411	-	26,389,358
Storm drain system	23,007,747	666,976	-	23,674,723
Equipment	1,513,601	164,151	-	1,677,752
Total	148,125,439	10,372,933	-	158,498,372
Less accumulated depreciation for:				
Water capacity	(6,186,442)	(547,549)	-	(6,733,991)
Culinary water system	(15,645,358)	(2,478,347)	-	(18,123,705)
Secondary water irrigation system	(2,203,579)	(286,399)	-	(2,489,978)
Sewer system	(7,602,896)	(912,432)	-	(8,515,328)
Storm drain system	(4,313,988)	(717,483)	-	(5,031,471)
Equipment	(873,088)	(102,505)	-	(975,593)
Total	(36,825,351)	(5,044,715)	-	(41,870,066)
Capital assets, being depreciated, net	111,300,088	5,328,218	-	116,628,306
Business-type activities capital assets, net	<u>\$ 127,147,495</u>	<u>\$ 10,100,321</u>	<u>\$ (16,264)</u>	<u>\$ 137,231,552</u>

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2017

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

Governmental activities:

General government	\$ 249,085
Public Safety	213,844
Highways and public works	3,865,953
Parks and recreation	1,631,566
Total depreciation expense - governmental activities	<u>\$ 5,960,448</u>

Business-type activities:

Water utility	\$ 3,354,364
Sewer utility	968,859
Storm drain utility	721,492
Total depreciation expense - business-type activities	<u>\$ 5,044,715</u>

Combined depreciation expense	<u>\$ 11,005,163</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 \$300,597 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 SPRINGS
Notes to the Financial Statements
June 30, 2017

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 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 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 SPRINGS
Notes to the Financial Statements
June 30, 2017

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	Employer 401(k)
Contributory System				
111 - Local Governmental Division Tier 2	N/A	N/A	14.910%	1.78%
Noncontributory System				
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%	N/A
Public Safety Retirement System				
49 - Other Division B Noncontributory Tier 1	N/A	N/A	20.390%	133.00%
122 - Other Division A Contributory Tier 2	N/A	N/A	32.200%	N/A
Firefighters System				
32 - Division B Tier 1	N/A	16.710%	6.660%	N/A
132 - Division B Tier 2	N/A	N/A	10.750%	133.00%
Tier 2 DC Only				
211 - Local Government	N/A	N/A	6.690%	10.00%
222 - Public Safety	N/A	N/A	9.720%	12.00%
222 - Firefighters	N/A	N/A	0.080%	12.00%

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

For fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 422,199	N/A
Public Safety System	284,450	-
Firefighters System	26,859	-
Tier 2 Public Employees System	156,900	-
Tier 2 Public Safety and Firefighter	77,557	-
Tier 2 DC Only System	3,517	N/A
Total Contributions	\$ 971,482	\$ -

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 SPRINGS
Notes to the Financial Statements
June 30, 2017

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

At June 30, 2017, we reported a net pension asset of \$4,648 and a net pension liability of \$2,886,117.

	(Measurement Date): December 31, 2016				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2015	Change (Decrease)
Noncontributory System	\$ -	\$ 1,873,700	0.2917979%	0.2668688%	0.0249291%
Public Safety System	-	929,654	1.4915100%	1.3970959%	0.0944141%
Firefighters System	-	70,158	0.4743030%	0.3757619%	0.0985411%
Tier 2 Public Employees System	-	12,605	0.1129970%	0.0886421%	0.0243549%
Tier 2 Public Safety and Firefighter System	4,648	-	0.5354597%	0.4654713%	0.0699884%
	<u>\$ 4,648</u>	<u>\$ 2,886,117</u>			

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 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, 2017, we recognized pension expense of \$1,079,595. At June 30, 2017, we reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 344,525	\$ 142,377
Changes in assumptions	530,194	153,151
Net difference between projected and actual earnings on pension plan investments	744,470	221,080
Changes in proportion and differences between contributions and proportionate share of contributions	128,350	15,294
Contributions subsequent to the measurement date	458,516	-
Total	<u>\$ 2,206,055</u>	<u>\$ 531,902</u>

\$458,516 was reported as deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2017

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2017	\$ 348,093
2018	349,717
2019	379,953
2020	79,412
2021	47,821
Thereafter	10,642

Actual assumptions: The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 Percent
Salary increases	3.35 - 10.35 percent, average, including inflation
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2016, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2017

4.60% that is net of investment expense.

Discount rate: The discount rate 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. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate at 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 3,881,067	\$ 1,873,700	\$ 198,661
Public Safety System	1,926,483	929,654	115,023
Firefighters System	669,609	70,158	(424,321)
Tier 2 Public Employees System	85,796	12,605	(43,076)
Tier 2 Public Safety and Firefighter System	32,520	(4,648)	(33,211)
	<u>\$ 6,595,475</u>	<u>\$ 2,881,469</u>	<u>\$ (186,924)</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 SPRINGS
Notes to the Financial Statements
June 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
401(k) Plan			
Employer Contributions	\$ 464,279	\$ 403,660	\$ 343,928
Employee Contributions	\$ 118,158	\$ 113,748	\$ 100,203
457 Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 50,802	\$ 38,996	\$ 43,614
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 24,199	\$ 23,635	\$ 13,771
Traditional IRA			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ -	\$ -	\$ -

Note 7 – Inter-fund Transfers

Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2017 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities		
General	\$ -	\$ 2,334,659
Capital Projects	2,372,046	-
Water Utilities	-	30,848
Sewer Utilities	-	6,539
	<u>\$ 2,372,046</u>	<u>\$ 2,372,046</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 \$2,090,323 to the enterprise funds for personnel and administrative services and facility costs during the year.

Note 8 - Contingent Liabilities

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

On November 25, 2009 the City entered into an agreement with the Central Utah Water Conservancy District (District) to obtain delivery of water through District facilities equal to 10,000 acre feet. The City is obligated to pay a one-time development charge of \$6,200 per acre foot (\$62,000,000 for 10,000 acre feet of water) to the district which is due when the City takes delivery but no later than June 30, 2020. The City's obligation is backed by a contract with a landowner of property that is located within the City. The contract with the landowner requires collateral in the amount of the obligation and the funding of an account twelve months prior to the payment due date. 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, 2017 the City received \$1,124,330 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, 2017 was \$90,300.

Note 9 - Construction Commitments

The City has active construction projects as of June 30, 2017. 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	\$11,107,101	\$10,650,851	June 2018

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 SPRINGS
Notes to the Financial Statements
June 30, 2017

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:

		Business Type Activities		
	Governmental Activities	Water Utility	Sewer Utility	Storm Drain Utility
Equipment	\$ 760,499	\$ 19,701	\$ -	\$ -
Accumulated depreciation	(608,399)	(19,701)	-	-
Total	<u>\$ 152,100</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, 2017 were as follows:

		Business Type Activities		
<u>Year Ending June 30</u>	Governmental Activities	Water Utility	Sewer Utility	Storm Drain Utility
2018	\$ 91,183	\$ 1,120	\$ -	\$ -
2019	8,680	-	-	-
2020	8,680	-	-	-
2021	-	-	-	-
2022	-	-	-	-
Total minimum lease payments	108,543	1,120	-	-
Less: amount representing interest	-	-	-	-
Present value of minimum lease payments	<u>\$ 108,543</u>	<u>\$ 1,120</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.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2017

The 2012 series special assessment bond is recorded in the enterprise fund with annual debt service requirements to maturity for special assessment bonds as follows:

A. Special Assessment Bonds – Continued

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 109,000	\$ 49,796	\$ 158,796
2019	111,000	47,838	158,838
2020	114,000	45,718	159,718
2021	115,000	43,154	158,154
2022	119,000	40,393	159,393
2023-2027	649,000	143,876	792,876
2028-2029	298,000	19,879	317,879
	<u>\$ 1,515,000</u>	<u>\$ 390,654</u>	<u>\$ 1,905,654</u>

The 2016 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 3.0% -6.0% with a maturity date of February 1, 2027.

The 2016 series special assessment bond is recorded in a debt service fund with annual debt service requirements to maturity for special assessment bonds as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 422,000	\$ 261,039	\$ 683,039
2019	462,000	226,460	688,460
2020	477,000	211,445	688,445
2021	493,000	194,750	687,750
2022	512,000	176,263	688,263
2023-2027	2,934,000	506,195	3,440,195
	<u>\$ 5,300,000</u>	<u>\$ 1,576,152</u>	<u>\$ 6,876,152</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

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2017

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, with annual debt service requirements to maturity for special assessment bonds as follows:

Year Ending June 30	Principal	Interest	Total Debt Service
2018	\$ 435,000	\$ 259,624	\$ 694,624
2019	445,000	250,924	695,924
2020	455,000	242,026	697,026
2021	465,000	232,926	697,926
2022	475,000	223,626	698,626
2023-2027	2,555,000	938,652	3,493,652
2028-2032	2,980,000	353,704	3,333,704
2033	1,335,000	70,526	1,405,526
	<u>\$ 9,145,000</u>	<u>\$ 2,572,008</u>	<u>\$ 11,717,008</u>

2016 Water Revenue Bonds

On November 22, 2016, the City issued \$9,710,000 in Series 2016 Water Revenue Bonds with a maturity date of June 1, 2037 with an average coupon rate of 2.50%. The bonds were issued to finance the costs associated with acquiring, constructing, and equipping portions of the City's culinary water system. 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 annual debt service requirements to maturity for special assessment bonds are as follows:

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2017

Year Ending June 30	Principal	Interest	Total Debt Service
2018	\$ 155,000	\$ 312,850	\$ 467,850
2019	240,000	310,900	550,900
2020	380,000	306,700	686,700
2021	385,000	302,050	687,050
2022	395,000	290,275	685,275
2023-2027	2,245,000	1,178,775	3,423,775
2028-2032	2,735,000	693,325	3,428,325
2033-2037	3,175,000	235,125	3,410,125
	<u>\$ 9,710,000</u>	<u>\$ 3,630,000</u>	<u>\$ 13,340,000</u>

The City has pledged all water utility net revenues to pay the debt service costs through maturity in 2037. During the year, the net revenue before depreciation was \$2,732,994 and the debt service requirement was \$853,335.

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.

2011 Sales Tax Revenue Bonds

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. The City has pledged all of its sales tax revenues. Revenue bond debt service requirements to maturity are as follows:

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2017

Year Ending June 30	Principal	Interest	Total Debt Service
2018	\$ 170,000	\$ 121,050	\$ 291,050
2019	175,000	114,250	289,250
2020	185,000	107,250	292,250
2021	190,000	99,850	289,850
2022	200,000	92,250	292,250
2023-2027	1,105,000	350,102	1,455,102
2028-2032	1,060,000	110,414	1,170,414
	<u>\$ 3,085,000</u>	<u>\$ 995,166</u>	<u>\$ 4,080,166</u>

2017 Sales Tax Revenue Bonds

On December 1, 2016, the city issued \$4,000,000 in Series 2017 Sales Taxes Revenue Bonds at interest rates ranging from 3.0% to 3.50% with a maturity date of June 1, 2037. The bonds were issued to finance the costs associated with acquiring, constructing, renovating, equipping, and furnishing the City's facilities (including a regional park complex). Bond proceeds were also used to pay the cost of issuance of the Bonds. The Bonds maturing on or after June 1, 2037 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 2037. The City has pledged all of its sales tax revenues. Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total Debt Service
2018	\$ 330,000	\$ 342,243	\$ 672,243
2019	375,000	295,826	670,826
2020	385,000	284,576	669,576
2021	400,000	273,026	673,026
2022	410,000	261,026	671,026
2023-2027	2,245,000	1,112,680	3,357,680
2028-2032	2,600,000	755,380	3,355,380
2033-2037	3,035,000	322,810	3,357,810
	<u>\$ 9,780,000</u>	<u>\$ 3,647,567</u>	<u>\$ 13,427,567</u>

During the year the sales tax revenue was \$3,639,272 and the debt service requirement was \$291,000 or 10% of the sales tax revenue. The City has pledged all of its sales tax revenues.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2017

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:

Year Ending June 30	Principal	Interest	Total Debt Service
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	1,050,000	-	1,050,000
2023-2027	5,115,660	-	5,115,660
	<u>\$ 10,365,660</u>	<u>\$ -</u>	<u>\$ 10,365,660</u>

D. Changes in Long-term Debt

During the year ended June 30, 2017, the following activity occurred in liabilities reported as long-term:

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2017

	Balance			Balance		Due Within
	June 30, 2016	Additions	Retirements	June 30, 2017		One Year
Governmental Activities:						
2011 Sales Tax Revenue Bonds	\$ 3,250,000	\$ -	\$ (165,000)	\$ 3,085,000	\$	170,000
2017 Sales Tax Revenue Bonds	-	9,780,000	-	9,780,000		330,000
Plus Issuance Premium	-	319,427	(15,211)	304,216		-
2016 Special Assessment Bond	-	5,300,000	-	5,300,000		422,000
Obligations Under Capital Lease	219,583	-	(111,040)	108,543		91,183
Compensated Absences	506,428	42,861	-	549,289		285,257
Total	\$ 3,976,011	\$ 15,442,288	\$ (291,251)	\$ 19,127,048	\$	1,298,440
Business Type Activities:						
Debt						
2012 Special Assessment Bonds	\$ 1,837,000	\$ -	\$ (322,000)	\$ 1,515,000	\$	109,000
2014 Water Revenue Bonds	9,575,000	-	(430,000)	9,145,000		435,000
2016 Water Revenue Bond	-	9,710,000	-	9,710,000		155,000
Contract payable	11,526,540	-	(1,160,880)	10,365,660		1,050,000
Obligations Under Capital Lease	2,983	-	(1,863)	1,120		1,120
Compensated Absences	22,066	7,010	-	29,076		15,340
Total	\$ 22,963,589	\$ 9,717,010	\$ (1,914,743)	\$ 30,765,856	\$	1,765,460

Note 13 – Restatement of Net Position

Property taxes levied for a future year are not considered available and are not recognized as revenue in the government-wide statement of activities. The property taxes are reported as a deferred inflow of resources on the government-wide statement of net position. The beginning net position was reduced by \$2,396,503 to reflect prior year property taxes recorded as revenue on the Government-wide Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SARATOGA SPRINGS
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2017
Utah Retirement System

	Fiscal Year	Proportion of the net liability (asset)	Proportionate share of the net pension liability (asset)	Covered employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
Noncontributory System						
	2015	0.2635465%	\$ 1,144,381	\$ 2,236,578	51.20%	90.20%
	2016	0.2668688%	1,510,073	2,164,610	69.76%	87.80%
	2017	0.2917979%	1,873,700	2,353,876	79.60%	87.30%
Public Safety System						
	2015	0.2635465%	574,927	1,140,839	50.40%	89.00%
	2016	1.3970959%	681,715	1,149,462	59.31%	87.60%
	2017	1.4915100%	929,654	1,235,277	75.26%	86.10%
Firefighters retirement system						
	2015	0.3034621%	(33,395)	252,495	-13.20%	101.30%
	2016	0.3757619%	63,939	316,691	20.19%	98.10%
	2017	0.4743030%	70,158	410,102	17.11%	98.40%
Tier 2 Public Employees Retirement System						
	2015	0.0561807%	(1,703)	275,889	-0.60%	103.50%
	2016	0.0886421%	(194)	572,836	-0.03%	100.20%
	2017	0.1129970%	12,605	926,665	1.36%	95.10%
Tier 2 Public Safety and Firefighters retirement system						
	2015	0.5381763%	(7,961)	222,627	-3.60%	120.50%
	2016	0.4654713%	(6,801)	276,945	-2.46%	110.70%
	2017	0.5354597%	(4,648)	442,409	-1.05%	103.60%

* The amounts presented for each fiscal year were determined as of December 31. In accordance with GASB 68, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF SARATOGA SPRINGS
Required Supplementary Information
Schedule of Contributions
June 30, 2017
Last 10 Fiscal Years*

	Fiscal year ended June 30,	Actuarial Determined Contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contribution 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%
	2017	422,199	422,199	-	2,295,957	18.39%
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%
	2017	284,450	284,450	-	1,190,696	23.89%
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%
	2017	26,859	26,859	-	403,277	6.66%
Tier 2 Public Safety and Firefighters 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%
	2017	77,557	77,557	-	465,913	16.65%
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%
	2017	3,517	3,517	-	52,577	6.69%

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

** The amounts presented were determined for the Calendar year January 1-December 31. In accordance with
GASB 68, until a full 10-year trend is compiled, information is presented for those years for which
information is available.

CITY OF SARATOGA SPRINGS
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Change in Assumptions

The following actuarial assumption changes were adopted in January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

INDIVIDUAL FUND FINANCIAL STATEMENTS

CITY OF SARATOGA SPRINGS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Capital Projects Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Totals	
REVENUES				
Intergovernmental	\$ 270,000	\$ 270,000	\$ 164,110	\$ (105,890)
Investment earnings	-	-	173,653	173,653
Impact fees	1,650,000	1,650,000	2,912,619	1,262,619
Total Revenues	1,920,000	1,920,000	3,250,382	1,330,382
EXPENDITURES				
General government			-	
Public safety	3,024,652	3,024,652	18,508	3,006,144
Highways and public works	2,278,631	2,278,631	473,839	1,804,792
Parks and recreation	848,351	848,351	818,252	30,099
Capital expenditures	7,600,387	7,600,387	1,310,587	6,289,800
Debt service				
Bond issuance costs	200,000	200,000	197,504	2,496
Total expenditures	13,952,021	13,952,021	2,818,690	11,133,331
Excess (deficit) of revenues over (under) expenditures	(12,032,021)	(12,032,021)	431,692	12,463,713
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	10,099,427	10,099,427
Transfers in	3,372,046	3,372,046	2,372,046	(1,000,000)
Transfers out	-	-	-	-
Total other financing sources (uses)	3,372,046	3,372,046	12,471,473	9,099,427
Net change in fund balance	(8,659,975)	(8,659,975)	12,903,165	21,563,140
Fund balances - beginning	12,492,157	12,492,157	12,492,157	-
Fund balances - ending	\$ 3,832,182	\$ 3,832,182	\$ 25,395,322	\$ 21,563,140

STATISTICAL SECTION

CITY OF SARATOGA SPRINGS

June 30, 2017

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.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Activities									
Net investment in									
capital assets	\$ 80,964,663	\$ 72,879,872	\$ 74,023,634	\$ 75,648,247	\$ 72,106,589	\$ 74,598,446	\$ 73,222,615	\$ 86,379,952	\$ 84,573,253
Restricted	9,436,161	5,418,579	6,879,966	7,890,183	600,591	95,687			
Unrestricted	<u>1,411,862</u>	<u>2,384,845</u>	<u>2,636,561</u>	<u>4,941,530</u>	<u>15,171,267</u>	<u>15,320,390</u>	<u>17,070,401</u>	<u>16,492,718</u>	<u>17,926,208</u>
Total Governmental Activities									
Net Position	<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>	<u>\$ 102,499,461</u>
Business-Type Activities									
Net investment in									
capital assets	\$ 62,465,261	\$ 80,299,189	\$ 79,011,572	\$ 80,775,067	\$ 79,541,530	\$ 83,658,220	\$ 87,124,624	\$ 104,205,965	\$ 112,772,271
Restricted	1,299,971	2,156,528	3,487,439	5,079,787	-	-	2,814,571	2,787,320	-
Unrestricted	<u>3,178,868</u>	<u>2,166,007</u>	<u>2,429,896</u>	<u>1,733,791</u>	<u>8,625,624</u>	<u>8,122,994</u>	<u>8,754,227</u>	<u>14,074,089</u>	<u>14,063,076</u>
Total Business-Type Activities									
Net Position	<u>\$ 66,944,100</u>	<u>\$ 84,621,724</u>	<u>\$ 84,928,907</u>	<u>\$ 87,588,645</u>	<u>\$ 88,167,154</u>	<u>\$ 91,781,214</u>	<u>\$ 98,693,422</u>	<u>\$ 121,067,374</u>	<u>\$ 126,835,347</u>
Primary Government									
Net investment in									
capital assets	\$ 143,429,924	\$ 153,179,061	\$ 153,035,206	\$ 156,423,314	\$ 151,648,119	\$ 158,256,666	\$ 160,347,239	\$ 190,585,917	\$ 197,345,524
Restricted	10,736,132	7,575,107	10,367,405	12,969,970	600,591	95,687	5,814,571	2,787,320	
Unrestricted	<u>4,590,730</u>	<u>4,550,852</u>	<u>5,066,457</u>	<u>6,675,321</u>	<u>23,796,891</u>	<u>23,443,384</u>	<u>25,824,628</u>	<u>30,566,807</u>	<u>31,989,284</u>
Total Primary Government									
Net Position	<u>\$ 158,756,786</u>	<u>\$ 165,305,020</u>	<u>\$ 168,469,068</u>	<u>\$ 176,068,605</u>	<u>\$ 176,045,601</u>	<u>\$ 181,795,737</u>	<u>\$ 191,986,438</u>	<u>\$ 223,940,044</u>	<u>\$ 229,334,808</u>

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses									
Governmental Activities:									
General Government	\$ 1,199,630	\$ 1,292,510	\$ 1,291,631	\$ 1,998,497	\$ 2,609,093	\$ 2,171,825	\$ 2,096,762	\$ 2,462,795	\$ 2,740,131
Public Safety	3,010,953	3,669,436	4,651,168	4,833,686	4,966,496	5,018,488	5,240,399	6,012,919	6,654,993
Highways and Public Improvements	5,479,252	3,126,167	3,364,997	4,022,464	4,722,390	2,666,666	5,384,522	5,966,661	5,850,964
Parks and Recreation	1,784,119	1,614,955	1,738,032	1,899,678	2,438,028	2,635,964	2,701,630	2,023,421	3,532,875
Economic Development	3,168								
Interest on Long-Term Debt	95,006	27,858	47,519	157,437	141,240	142,332	137,882	133,171	392,392
Total Governmental Activities	<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>	<u>19,171,355</u>
Business-Type Activities:									
Water Utility	3,485,076	3,940,978	4,286,081	4,649,685	5,102,548	5,001,698	5,477,856	6,353,950	7,828,265
Sewer Utility	1,588,786	1,766,075	2,043,128	2,434,510	3,066,436	3,005,658	3,244,648	4,203,587	3,541,052
Garbage Utility	625,307	649,154	633,551	702,476	822,106	1,028,024	1,080,662	1,059,777	1,171,046
Storm Drain Utility	-	467,758	470,700	756,772	691,410	880,773	908,198	901,351	954,935
Street Lighting									-
Total Business-Type Activities	<u>5,699,169</u>	<u>6,823,965</u>	<u>7,433,460</u>	<u>8,543,443</u>	<u>9,682,500</u>	<u>9,916,153</u>	<u>10,711,364</u>	<u>12,518,665</u>	<u>13,495,298</u>
Total Primary Government Expenses	<u>\$ 17,271,297</u>	<u>\$ 16,554,891</u>	<u>\$ 18,526,807</u>	<u>\$ 21,455,205</u>	<u>\$ 24,559,747</u>	<u>\$ 22,551,428</u>	<u>\$ 26,272,559</u>	<u>\$ 29,117,632</u>	<u>\$ 32,666,653</u>
Revenues									
Governmental Activities:									
Charges for Services									
General Government	\$ 643,604	\$ 893,642	\$ 734,865	\$ 2,473,625	\$ 4,081,953	\$ 2,778,204	\$ 3,379,235	\$ 4,985,982	\$ 257,321
Public Safety	\$ 414,455	\$ 500,334	\$ 715,131	\$ 1,894,515	\$ 1,039,947	\$ 1,101,415	\$ 1,214,388	\$ 1,372,884	\$ 5,175,558
Highways & Public Improvements				\$ 1,179,069	\$ 1,268,709	\$ 1,105,971	\$ 1,541,709	\$ 1,641,262	\$ 285,091
Parks & Recreation	\$ 103,641	\$ 128,501	\$ 150,558	\$ 888,193	\$ 886,054	\$ 652,831	\$ 2,519,097	\$ 2,555,462	\$ 415,750
Operating Grants and Contributions	387,031	713,486	1,719,874	1,118,658	172,388	123,870	764,283	239,028	242,108
Capital Grants and Contributions	6,883,169	5,754,442	5,740,308	2,664,043	672,095	2,502,760	1,545,870	10,796,710	6,756,688
Total Governmental Activities	<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>21,591,328</u>	<u>13,132,516</u>
Business-Type Activities									
Charges for Services									
Water Utility	1,430,353	1,944,116	2,222,973	6,393,708	6,154,942	5,976,789	6,512,923	10,473,751	7,934,650
Sewer Utility	1,290,128	1,671,891	1,970,431	2,488,427	2,674,392	2,720,120	3,047,088	4,675,210	4,255,070
Garbage Utility	668,184	679,208	745,432	596,706	639,307	893,984	641,802	961,029	1,203,403
Storm Drain Utility		145,373	148,947	808,855	895,505	579,827	913,322	958,500	755,522
Street Lighting									
Capital Grants and Contributions	2,877,659	5,724,324	2,223,380	1,238,142		3,070,714	6,587,528	17,769,209	5,152,013
Total Business-Type Activities	<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>34,837,699</u>	<u>19,300,658</u>
Total Primary Government Revenues	<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>\$ 56,429,027</u>	<u>\$ 32,433,174</u>
Net (Expense)/Revenue									
Governmental Activities	\$ (3,140,228)	\$ (1,740,521)	\$ (2,032,611)	\$ (2,693,659)	\$ (6,756,101)	\$ (4,370,224)	\$ (4,596,613)	\$ 4,992,361	\$ (6,038,839)
Business-Type Activities	567,155	3,340,947	(122,297)	2,982,395	681,646	3,325,281	6,991,299	22,319,034	5,805,360
Total Primary Government Net Expense	<u>\$ (2,573,073)</u>	<u>\$ 1,600,426</u>	<u>\$ (2,154,908)</u>	<u>\$ 288,736</u>	<u>\$ (6,074,455)</u>	<u>\$ (1,044,943)</u>	<u>\$ 2,394,686</u>	<u>\$ 27,311,395</u>	<u>\$ (233,479)</u>

Schedule 2, Continued

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses									
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Taxes									
Property Taxes	2,304,884	2,442,112	2,395,277	2,758,185	2,659,844	2,686,612	2,844,496	2,969,689	2,849,626
Sales and Use Taxes	1,495,027	1,723,051	1,881,168	2,162,610	2,360,544	2,653,278	2,939,653	3,215,928	3,639,272
Franchise Fees	193,385	158,393	227,207	212,494	199,838	221,085	207,142	212,144	227,184
Energy Taxes	480,352	549,691	632,865	655,845	793,113	870,992	877,695	953,656	1,003,254
Interest Earnings	223,094	56,812	98,172	73,233	89,897	74,332	89,800	190,746	107,326
Gain on Sale of Capital Assets	-	-	34,787	-	51,352	-	15,799	8,043	183,719
Other	300,000	(14,318,928)	(380,000)	309,789	-	-	-	37,387	-
Total Governmental Activities	<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>	<u>8,010,381</u>
Business-Type Activities:									
Interest Earnings	67,430	17,749	49,480	57,343	45,004	56,267	109,205	92,225	276,426
Other	(300,000)	14,318,928	380,000	6,569	-	-	-	(37,387)	-
Total Business-Type Activities	<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>	<u>276,426</u>
Total Primary Government									
General Revenue	<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>	<u>8,286,807</u>
Change in Net Position									
Governmental Activities	\$ 1,856,514	\$ (11,129,390)	\$ 2,856,865	\$ 4,559,799	\$ (601,513)	\$ 2,136,075	\$ 2,377,972	\$ 12,579,654	\$ 2,023,294
Business-Type Activities	334,585	17,677,624	307,183	3,039,738	726,650	3,381,548	7,100,504	22,373,953	5,767,973
Total Primary Government	<u>\$ 2,191,099</u>	<u>\$ 6,548,234</u>	<u>\$ 3,164,048</u>	<u>\$ 7,599,537</u>	<u>\$ 125,137</u>	<u>\$ 5,517,623</u>	<u>\$ 9,478,476</u>	<u>\$ 34,953,607</u>	<u>\$ 7,791,267</u>

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
General Fund										
Unreserved, undesignated	\$ 767,756	\$ 1,601,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Unassigned			1,782,816	2,478,911	2,508,347	2,068,425	2,989,076	2,768,845	3,662,232	(1)
All other governmental funds										
Reserved										
Roads and impact fees										
Roads and capital improvements	170,162	6,048,717								
Advance to sewer fund										
Unreserved, undesignated										
Special revenue funds	100,783	163,926								
Capital Project Fund	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	25,395,322	(1)
Assigned										
Capital project funds			1,713,820	1,406,121						
Street lighting			249,453	305,725	282,980					
Total all other governmental Funds	\$ 9,573,435	\$ 5,825,002	\$ 9,359,208	\$ 9,602,029	\$ 11,835,975	\$ 11,879,760	\$ 13,435,477	\$ 12,492,157	\$ 25,395,322	

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

(1) Difference from prior year is revenues exceeded expenditures to increase unassigned fund balance and in the Committed capital projects fund we bonded for funds for parks projects.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues									
Taxes	\$ 4,073,541	\$ 4,804,683	\$ 5,240,234	\$ 5,789,134	\$ 5,988,153	\$ 6,320,529	\$ 6,692,613	\$ 7,141,996	\$ 7,719,336
Licenses and Permits	228,197	301,258	321,571	563,917	648,974	583,374	749,910	1,231,004	1,267,524
Intergovernmental	363,569	4,138,356	1,799,494	1,063,618	844,483	2,626,630	2,310,153	1,114,882	1,463,080
Fees/Charges for Services	2,267,583	2,501,208	2,506,678	5,589,526	6,545,780	4,975,201	7,429,506	8,699,519	4,787,332
Fines & Forfeitures	-	-	-	-	-	-	427,554	514,587	480,309
Developer Contributions	-	-	-	-	-	-	-	-	-
Interest Earnings	223,094	56,812	98,172	66,551	89,897	74,332	89,800	190,746	289,201
Impact Fees	-	-	-	-	-	-	-	-	2,912,619
Other	29,966	203,803	2,041,161	534,896	81,909	79,846	47,459	110,180	101,372
Total Revenues	\$ 7,185,950	\$ 12,006,120	\$ 12,007,310	\$ 13,607,642	\$ 14,199,196	\$ 14,659,912	\$ 17,746,995	\$ 19,002,914	\$ 19,020,773
Expenditures									
General Government	1,137,079	1,211,931	1,256,561	1,919,556	2,294,465	2,118,559	2,266,424	2,345,329	2,462,576
Public Safety	2,915,047	5,122,624	4,613,424	4,582,135	5,392,426	5,295,083	5,724,366	6,276,346	6,554,146
Highways and Public Improvements	2,743,826	6,304,986	2,464,024	3,545,121	2,521,683	1,589,359	2,003,657	4,959,389	1,442,102
Parks and Recreation	830,865	1,627,197	2,264,012	2,665,475	953,329	1,379,264	2,777,486	3,961,206	2,501,142
Capital Expenditures	-	-	-	-	-	4,135,524	2,339,204	2,319,328	1,310,587
Debt Service:									
Principal Retirement	-	-	-	-	-	-	-	-	165,000
Interest & Fiscal Charges	-	-	-	-	-	-	-	-	241,318
Capital Lease Payments	351,807	324,228	1,405,289	365,282	533,463	129,099	155,000	160,000	-
Bond Issuance Costs and Trustee Fees	-	-	114,617	291,000	291,800	292,332	137,882	133,171	197,504
Total Expenditures	\$ 7,978,624	\$ 14,590,966	\$ 12,117,927	\$ 13,368,569	\$ 11,987,166	\$ 14,939,220	\$ 15,404,019	\$ 20,154,769	\$ 14,874,375
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (792,674)	\$ (2,584,846)	\$ (110,617)	\$ 239,073	\$ 2,212,030	\$ (279,308)	\$ 2,342,976	\$ (1,151,855)	\$ 4,146,398
Other Financing Sources (Uses)									
Proceeds From Obligations Under Capital Leases	-	69,021	21,400	119,100	-	211,322	120,119	8,043	-
Bond Proceeds	-	-	4,000,000	-	-	-	15,799	-	15,399,427
Bond Premium	-	-	134,193	-	-	-	-	-	-
Proceeds From Sales of Capital Assets	-	-	50,050	200,743	51,352	-	-	-	183,719
Transfers In	300,000	-	750,130	2,538,216	2,428,616	2,231,485	1,344,074	3,621,247	2,372,046
Transfers Out	-	(398,368)	(1,130,130)	(2,538,216)	(2,428,616)	(2,231,485)	(1,344,074)	(3,583,860)	(2,334,659)
Total Other Financing Sources (Uses)	\$ 300,000	\$ (329,347)	\$ 3,825,643	\$ 319,843	\$ 51,352	\$ 211,322	\$ 135,918	\$ 45,430	\$ 15,620,533
Net Change in Fund Balances	\$ (492,674)	\$ (2,914,193)	\$ 3,715,026	\$ 558,916	\$ 2,263,382	\$ (67,986)	\$ 2,478,894	\$ (1,106,425)	\$ 19,766,931

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

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
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	2,939,652	207,142	877,695	6,868,985
2016	2,668,123	2,939,653	212,143	953,656	6,773,575
2017	2,849,626	3,639,272	227,184	1,003,254	7,719,336
					-
Change:					0%
2008-2017					-
					-

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

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	Commerical Property	Miscellaneous Property	Total Assessed Value	Total Taxable Assessed Value
2006	403,813,760	36,579,918	24,902,808	465,296,486	446,676,129
2007	703,649,723	45,666,410	46,532,533	795,848,666	770,569,048
2008	932,667,853	62,553,999	49,865,634	1,045,087,486	1,017,244,323
2009	761,281,348	108,869,886	54,449,296	924,600,530	895,096,173
2010	677,853,887	112,726,260	56,471,741	847,051,888	818,019,054
2011	613,123,034	104,439,630	39,673,599	757,236,263	744,534,001
2012	554,081,621	88,261,615	134,695,645	777,038,881	763,106,508
2013	625,910,515	90,163,478	115,855,901	831,929,894	818,244,896
2014	826,502,262	111,913,600	122,397,289	1,060,813,151	969,656,009
2015	842,160,029	91,446,400	139,318,209	1,072,924,638	1,885,166,371
2016	999,046,165	97,612,900	161,893,154	1,258,552,219	1,296,364,927

Source: Utah State Tax Commission and Utah County Treasurer

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	Commerical Property	Miscellaneous Property	Fee-In-Lieu Value	Total Assessed Value
2005	317,685,146	37,482,579	24,410,377	2,741,024	382,319,126
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	131,237,187	15,728,392	969,656,099
2015	892,160,029	91,446,400	139,318,209	15,640,297	1,155,908,456
2016	999,046,165	97,612,900	161,893,154	37,812,708	1,296,364,927

Source: Utah State Tax Commission

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

	Calendar Year				
	2012	2013	2014	2015	2016
Retail Trade	103118541	112342890	113167547	120493315	134903638
Accommodation and Food Services	13542661	16782513	20963103	23056127	24272362
Utilities	10384850	12491830	12964613	13545560	14520668
Information	7266740	8205139	9472286	9232412	9020018
Wholesale Trade	3172489	2179487	2481843	7257027	3880350
Motor Vehicle Sales Tax	5214109	5901951	6435003	6346056	7645128
Other Services (except Public Administration)	2387363	2123710	2342173	3142629	5592281
Miscellaneous	1839127	1153018	1929795	2323817	7980524
All others	5534666	9171516	5360641	6575124	9604431
Total	\$ 152,460,546	\$ 170,354,067	\$ 175,117,004	\$ 191,972,067	\$ 217,419,400
City direct sales tax rate	2.20%	2.20%	2.20%	2.20%	2.20%

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	City Direct Rate	Overlapping Rates					Total Levy for Saratoga Springs Residents
		Utah County Levy	Local Assessment Levy	State Assessment/ Collecting	Cent Ut Levy	Alpine School District	
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	0.000447	0.008699	0.013166
2014	0.002233	0.000916	0.000022	0.000013	0.000447	0.008096	0.011727
2015	0.002083	0.000870	0.000028	0.000228	0.000405	0.008070	0.011684
2016	0.001994	0.000834	0.000025	0.000190	0.000400	0.007718	0.011161

Source: Utah County Assessors Office

Note: Table represents data available since implementation of GASB Statement 44

Schedule 10
CITY OF SARATOGA SPRINGS
Direct and Overlapping Sales Tax Rates
Last Ten Calendar Years

Fiscal Year	City Direct Rate	Utah County	State of Utah	Total
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
2017	1.80	0.25	4.70	6.75

Source: Utah State Tax Commission

Note: Table represents data available since implementation of GASB Statement 44,
and will increase to ten years over time

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

2017				2016			
Taxpayer	Taxable Assessed Value	Total Parcels	Rank	Taxpayer	Taxable Assessed Value	Total Parcels	Rank
Aldara Apartments	19,417,365	1	1	Aldara Apartments	19,417,365	1	1
Wal- Mart	15,262,500	1	2	Wal- Mart	15,262,500	1	2
McLaughlin, Scott	14,466,215	15	3	McLaughlin, Scott	14,466,215	15	3
SCP Fox Hollow	10,000,600	28	4	SCP Fox Hollow	10,000,600	28	4
Questar Gas (Dominion)	9,695,430	1	5	Questar Gas	9,695,430	1	5
Wasatch Land Company	8,686,960	94	6	Wasatch Land Comp:	8,686,960	94	6
Woodside Homes of Utah	8,582,240	106	7	Woodside Homes of	8,582,240	106	7
Pacificorp	8,581,310	1	8	Pacificorp	8,581,310	1	8
D R Horton	8,160,786	174	9	D R Horton Inc	8,160,786	174	9
Stations West	8,042,200	6	10	Stations West Saratog:	8,042,200	6	10
	110,895,606	427			110,895,606	427	

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

Tax Year End 12/31	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	% of Total Collections to Net Taxes Assessed (3)
2009	2,181,526	7,717	2,173,809	1,763,228	543,549	2,306,777	81.11%	106.12%
2010	2,246,026	14,729	2,231,297	1,934,821	520,414	2,455,235	86.71%	110.04%
2011	2,322,946	19,180	2,303,766	2,079,374	575,767	2,655,141	90.26%	115.25%
2012	2,330,527	15,364	2,315,163	2,134,668	678,428	2,813,096	92.20%	121.51%
2013	2,300,968	151,612	2,149,356	2,149,356	226,980	2,376,336	100.00%	110.56%
2014	2,888,902	156,192	2,732,710	2,132,709	193,021	2,325,730	78.04%	85.11%
2015	2,409,970	111,248	2,298,722	2,292,722	142,890	2,435,612	99.74%	105.96%
2016	2,586,315	162,703	2,586,315	2,423,612	103,163	2,526,775	93.71%	97.70%

Source: Utah County Treasurer

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

- (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 collections.
- (3) Due to collections of Delinquent, Personal Property, Miscellaneous, and interest from prior years, collections may exceed 100%.

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			
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	349,923		4,634,000	2,898,500	13,946,960	17,267	25,681,920	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	5.20%	1,193
2015	3,410,000	373,755		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%	1,180
2017	3,085,000	108,543		9,145,000	1,515,000	10,365,660	1,120	24,220,323	3.66%	1,097

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

(1) See Schedule 16 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

(2) The City issued Water Revenue Bonds Series 2004 for \$2,244,000 in fiscal year 2004.

(3) The City entered into a capital lease agreement for office building for \$1,343,410 in fiscal year 2005.

(4) The City issued Water Revenue Bonds Series 2006 for \$3,500,000 in fiscal year 2006, but had drawn only \$600,000 by June 30, 2006.

(5) The City entered into a contract to pay \$21,000,000 for the purchase of an existing water system. There is no interest on the debt.

Principal payments are made for each new culinary water connection sold by the City.

(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 \$120,000 and issued water revenue bond \$9,995,000 retiring all issues of water bonds, in fiscal year 2015.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 18,611,859	\$ 31,833,947	\$ 41,803,499	\$ 36,984,021	\$ 33,882,076	\$ 30,289,451	\$ 31,081,555	33882650	38786244	46236338	50342089
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 18,611,859	\$ 31,833,947	\$ 41,803,499	\$ 36,984,021	\$ 33,882,076	\$ 30,289,451	\$ 31,081,555	33882650	38786244	46236338	50342089
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2016

Total assessed value	<u>\$ 1,301,680,175</u>
Debt limit - 4% of total assessed value	52,067,207
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u>\$ 52,067,207</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.

Schedule 15
CITY OF SARATOGA SPRINGS
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2017
 (Amounts expressed in thousands)

Government Unit	Debt Outstanding	Estimated %	Estimated Share of Overlapping Debt
Alpine School District	\$ 491,269,589	5%	24,563,479
CUWCD		3%	
Subtotal, Overlapping debt		8%	
Saratoga Springs Direct Debt			
Total Direct and overlapping debt	\$		\$

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. Source: Utah State Auditor, Utah State Tax Commission

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

2011 Sales Tax Bond					2012 Special Assessment Bond							2014 Water Revenue Bond						
Debt Service					Debt Service							Debt Service						
<u>Sales Tax</u>					<u>Operating</u>		<u>Net Available</u>				<u>Operating</u>		<u>Net Available</u>					
<u>Revenues</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>	<u>SID Fees</u>	<u>Expenses</u>	<u>Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>	<u>Water Revenues</u>	<u>Expenses</u>	<u>Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>			
2008	\$ 1,256,981.00	N/A	N/A	N/A	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
2009	\$ 1,495,026.92	N/A	N/A	N/A	\$ -	\$ 22,921.27	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
2010	\$ 1,723,050.95	N/A	N/A	N/A	\$ 3,696,125.34	\$ 1,706.51	\$3,694,418.83	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
2011	\$ 1,881,168.00	N/A	N/A	N/A	\$ 447,832.24	\$ 22,644.00	\$ 425,188.24	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
2012	\$ 2,162,610.27	\$ 140,000	\$ 148,500	7.5	\$ 1,631,518.92	\$207,479.96	\$1,424,038.96	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
2013	\$ 2,360,543.79	\$ 145,000	\$ 144,300	8.2	\$ 713,047.12	\$ 35,682.99	\$ 677,364.13	\$ 157,374.34	\$ 23,357.81	3.7	N/A	N/A	N/A	N/A	N/A			
2014	\$ 2,653,278.10	\$ 150,000	\$ 139,950	9.2	\$ 339,994.97	\$ 36,320.56	\$ 303,674.41	\$ 159,000.00	\$ 25,134.50	1.6	\$ 4,084,565	\$1,782,803.17	\$2,301,762.10	N/A	N/A			
2015	\$ 2,939,652.89	\$ 155,000	\$ 135,450	10.1	\$ 248,540.78	\$ 10,310.00	\$ 238,230.78	\$ 160,000.00	\$ 28,819.40	1.3	\$ 4,874,198	\$1,960,760.27	\$2,913,437.67	\$ -	\$ 158,291			
2016	\$ 3,215,928.54	\$ 160,000	\$ 130,800	11.1	\$ 297,185.17	\$ 13,828.00	\$ 283,357.17	\$ 162,000.00	\$ 35,613.00	1.4	\$ 6,778,818	\$2,470,413.59	\$4,308,404.68	\$ 420,000	\$ 272,425			
2017	\$ 3,639,272.01	\$ 165,000	\$ 126,000	12.5	\$ 372,019.65	\$ 9,098.00	\$ 362,921.65	\$ 164,000.00	\$ 37,387.60	1.8	\$ 6,234,326	\$2,649,500.57	\$3,584,825.20	\$ 430,000	\$ 263,925			

Source: City Finance Department

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

Water Revenues includes investment earnings, charges for services, and impact fees. Operating expenses do not include interest.

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

Census:	Fiscal Year	City of Saratoga Springs	Personal Income	Per Capita Income	Median Age	Unemployment Rate
	2005	11,241	277,225,542	24,662	24.8	2.90
	2006	13,039	340,213,588	26,092	25.2	2.50
	2007	14,788	399,497,820	27,015	25.6	3.40
	2008	16,516	419,572,464	25,404	25.9	7.30
	2009	17,781	447,032,121	25,141	26.1	7.90
	2010	18,299	474,366,480	25,923	22.6	6.50
	2011	21,137	583,888,488	27,624	22.6	5.50
	2012	23,207	532,104,777	22,929	24.2	3.60
	2013	24,356	492,234,760	20,210	24.3	3.40
	2014	26,652	515,863,728	20,210	24.1	3.20
	2015	27,763	613,201,381	21,070	24.6	3.00
	2016	29,921	660,865,127	22,087	22.1	3.90

Source: U.S. Census Bureau, State of Utah

Notes: (1) Percentages for Utah County

Schedule 18
CITY OF SARATOGA SPRINGS
Principal Employers
Current Year and Nine Years Ago

<u>2017</u>				<u>2009</u>			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	Percentage of Total City <u>Employees</u>	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	Percentage of Total City <u>Employees</u>
Alpine School District	1695	1	53	Alpine School District	350	1	43
Wal-Mart	500	2	16	Wal-Mart			
Lakeview Academy	250	3	8	Lakeview Academy			
Smith's Food and Drug	249	4	8	Smith's Food and Drug	120	3	15
City of Saratoga Springs	200	5	6	City of Saratoga Springs	200	2	25
Vivant/ AMR Security	60	6	2	Vivant/ AMR Security			
Dean Flour	40	7	1	Dean Flour			
McDonalds	40	8	1	McDonalds			
Riding Siding	40	9	1	Riding Siding			
Arctic Circle	40	10	1	Arctic Circle	40	4	5

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

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>	<u>2017</u>
General government											
Administration	6.4	10.8	6.8	7.1	7.7	7.3	7.5	8.5	8.2	10.0	7.7
Attorney	1.0		0.5	0.5	0.5	1.5	1.5	2.5	2.1	2.9	3.1
Planning	5.6	4.8	3.0	1.0	2.0	2.0	3.0	3.5	3.7	4.6	5.4
Courts			1.0	1.0	2.0	2.4	2.4	3.0	2.0	3.0	2.5
Public Safety											
Police (1)	4.6	22.9	22.3	25.3	33.9	36.0	36.0	34.5	37.9	42.0	47.0
Fire	16.6	16.8	19.1	18.3	21.0	22.5	22.5	16.0	23.3	17.5	20.0
Building inspection	7.0	7.0	5.0	4.0	4.0	3.0	4.0	5.0	5.0	8.6	8.7
Public Works											
Public Works		1.0	1.0	1.0	1.0	2.4	2.4	6.0	4.0	5.5	5.4
Engineering	5.0	8.1	4.5	7.4	7.0	6.7	7.7	6.5	5.1	5.0	4.0
Highways and streets	5.5	4.1	3.0	3.0	2.0	2.0	2.0	4.0	4.3	7.0	10.8
Water	2.8	6.6	5.7	4.7	5.7	5.0	5.0	5.5	8.0	8.8	9.4
Sewer	0.8	1.3	1.3	0.3	2.3	3.0	3.0	3.0	2.5	2.8	1.7
Parks and recreation	1.8	3.8	3.7	3.7	5.5	7.8	8.8	2.5	11.7	16.53	21.21
Total	57.1	87.2	76.9	77.3	94.6	101.6	105.8	100.5	117.77	134.23	147.1

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

	<u>2017</u>
Fire Protection	
Number of Full-time employees	13
Number of Part-time employees	25
Fire calls for service	271
Medical Calls for Service	713
Police Protection	
Number of Officers	41
Police calls for service	15355
Municipal Water Services	
Number of connections	6414
Gallons billed/day	1289630
Municipal Sewer Services	
Number of connections	6414
Municipal Refuse Services	
Number of first cans	6114
Number of second cans	1624
Number of recycle cans	5967
Business Licenses	
Number of licenses issued	330
Building and Construction	
Number of building permits issued	1067
Number of residential units- single family	485
Number of residential units- multi-family	163
Parks & Recreation	
Number of football participants	342
Number of basketball participants	1306
Number of soccer participants	2426
Number of baseball participants	577

Source: City Departments

Notes Years will increase to 10 years over time

Schedule 21
CITY OF SARATOGA SPRINGS
Capital Assets by Function
Current Year

	<u>2017</u>
Streets	
Number of lane miles	95.5
Number of street lights	1965
Fire Protection	
Number of Stations	2
Number of hydrants	1425
Number of fire pumping vehicles	3
Police Protection	
Number of stations	1
Edication	
Number of high schools	1
Number of junior high schools	1
Number of elementary schools	7
Municipal Water Facilities	
Miles of water mains	254.5
Municipal Sewer Facilities	
Miles of sewer mains	114
Parks & Recreation	
Number of parks	30
Park and open space acreage	296

Source: City Departments

Notes: Years available will increase to 10 years over time

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

		Fiscal Year Ended	June 30		
	2013	2014	2015	2016	2017
ASSETS					
Cash and Investments	\$23,064,986.00	\$24,177,117.00	\$28,510,379.00	\$39,461,737.00	39,609,385.00
Receivables (not of allowances for uncollectables)	1,461,995	1,644,369	2,867,139	1,739,455	1,096,218
Prepaid and inventories	80,183	56,166	36,955	18,477	
Deferred charges					
Restricted cash and investments	675,132	646,003	2,814,571	2,787,320	3,391,770
Due from other funds	296,275	1,661,426	4,766,668	4,083,136	3,789,823
Due from other governmental units	1,899,270	2,010,708	2,187,081	2,396,502	2,396,502
Pension assets			43,059	6,995	4,648
Capital assets					
Land	18,402,042	18,720,913	20,201,852	20,201,852	21,265,004
Water Rights	14,998,026	15,231,188	15,699,164	15,720,925	15,954,480
Construction in progress	1,353,103	4,939,031	3,094,850	418,799	4,945,709
Capital assets not of accumulated depreciation					
Buildings and systems	5,159,014	4,872,532	4,586,050	4,299,569	4,027,788
Improvements other than buildings					
Machinery and equipment	1,571,059	2,578,304	2,717,062	2,755,463	2,094,599
Infrastructure	135,761,060	135,270,979	142,400,266	62,887,291	59,819,294
Deferred outflows of resources					
Pension related deferred outflows			503,540	1,489,687	
Total Assets	<u>\$204,722,145</u>	<u>\$211,808,736</u>	<u>\$230,428,636</u>	<u>\$158,267,208</u>	<u>\$158,395,220</u>
LIABILITIES					
Accounts Payable	\$1,566,133	\$2,093,885	\$2,432,336	\$2,667,915	\$750,027
Accrued interest payable	243,617	97,370	304,689	335,642	364,000
Due to other funds	296,275	1,396,275	4,766,668	4,083,136	149,461
Deposits	486,007	2,264,122	3,044,350	8,418,144	4,626,197
Unearned revenue					
Nonconcurrent Liability					
Net pension Liability			1,719,308	2,255,727	3,076,126
Due or payable within one year	1,786,123	1,897,221	2,176,142	2,152,177	3,063,900
Due or payable after one year	24,298,389	22,264,127	26,696,981	24,787,422	47,241,272
Total Liabilities	<u>\$28,676,544</u>	<u>\$30,013,000</u>	<u>\$41,140,474</u>	<u>\$44,700,163</u>	<u>\$59,270,983</u>
Deferred inflows of resources					
Pension related deferred inflows			\$301,724	\$340,125	
NET POSITION					
Net investment in capital assets	151,648,119	158,256,666	160,347,239	190,585,917	223,940,044
Restricted for debt service			2,814,857	2,787,320	5,926,731
Restricted for capital improvements					
Restricted for roads	600,591	95,687			
Unrestricted	<u>23,796,891</u>	<u>23,443,383</u>	<u>25,824,628</u>	<u>30,566,807</u>	<u>31,989,284</u>
Total net assets	<u>176,045,601</u>	<u>181,795,736</u>	<u>189,288,448</u>	<u>224,280,169</u>	<u>261,856,059</u>
Total liabilities and net assets	<u>\$204,722,145</u>	<u>\$211,808,736</u>	<u>\$230,428,922</u>	<u>\$268,980,332</u>	<u>\$321,127,042</u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Honorable Mayor and Members of the City Council
City of Saratoga Springs
Saratoga Springs, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Saratoga Springs (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Saratoga Springs's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control which 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's financial statements are free of material misstatements, 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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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.

Gilbert & Stewart

GILBERT & STEWART, CPA PC

October 20, 2017



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

Honorable Mayor and Members of the City Council
City of Saratoga Springs
Saratoga Springs, Utah

Report On Compliance with General State Compliance Requirements

We have audited the City of Saratoga Springs' ("the City") compliance with the applicable general state 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 for the year ended June 30, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Court
- Utah Retirement Systems
- Restricted Taxes and Related Revenues
- Open and Public Meetings Act
- Treasurer's Bond
- Cash Management
- Impact Fees

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

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 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. However, our audit does not provide a legal determination of the City's compliance.



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Opinion on General State Compliance Requirements

In our opinion, the City of Saratoga Spring complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2017.

Report on Internal Control over Financial Reporting

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 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 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 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 general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Gilbert & Stewart

GILBERT & STEWART, CPA PC
October 20, 2017

APPENDIX B

EXTRACTS FROM THE GENERAL INDENTURE OF TRUST

The following excerpts briefly outline certain provisions contained in the General Indenture and are not to be considered as a full statement thereof. Reference is made to the General Indenture and the First Supplemental Indenture, for full details of all of the terms of the Series 2018 Bonds, the security provisions appertaining thereof, and the application of the Revenues derived from the System, and the definition of any terms used but not defined in this OFFICIAL STATEMENT.

Definitions

As used in the Indenture, the following terms shall have the following meanings unless the context otherwise clearly indicates:

“Accreted Amount” means, with respect to Capital Appreciation Bonds of any Series and as of the date of calculation, the amount representing the initial public offering price, plus the accumulated and compounded interest on such Bonds, as established pursuant to the Supplemental Indenture authorizing such Capital Appreciation Bonds.

“Acquisition/Construction Fund” means the City of Saratoga Springs, Utah, Sewer Revenue Acquisition/Construction Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Act” means the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended and the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code Annotated 1953, as amended, each to the extent applicable.

“Additional Bonds” means all Bonds issued under the Indenture other than the Initial Bonds.

“Administrative Costs” means all Security Instrument Costs, Reserve Instrument Costs and Rebutable Arbitrage.

“Aggregate Annual Debt Service Requirement” means the total Debt Service (including any Repayment Obligations), for any one Bond Fund Year (or other specific period) on all Series of Bonds Outstanding or any specified portion thereof.

“Authorized Amount” means, with respect to a Commercial Paper Program, the maximum Principal amount of commercial paper which is then authorized by the Issuer to be outstanding at any one time pursuant to such Commercial Paper Program.

“Authorized Representatives” means the Mayor, City Recorder, City Manager, Treasurer, or any other officer of the Issuer so designated in writing by the Issuer to the Trustee.

“Average Aggregate Annual Debt Service Requirement” means the total of all Aggregate Annual Debt Service Requirements divided by the total Bond Fund Years of the Bonds Outstanding or any specified portion thereof.

“Balloon Bonds” means, unless otherwise provided in the related Supplemental Indenture, Bonds (and/or Security Instrument Repayment Obligations relating thereto), other than Bonds which mature within one year of the date of issuance thereof, 25% or more of the Principal Installments on which (a) are due or, (b) at the option of the Owner thereof may be redeemed, during any period of twelve consecutive months; provided, however, that to constitute Balloon Bonds, the Issuer must so designate such Bonds.

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

“Bond Fund Year” means the 12-month period beginning July 1 of each year and ending on the next succeeding June 30, except that the first Bond Fund Year shall begin on the date of delivery of the Initial Bonds and shall end on the next succeeding June 30.

“Bondholder,” “Bondowner,” “Registered Owner” or “Owner” means the registered owner of any Bonds authorized in the Indenture according to the registration books of the Issuer maintained by the Trustee as Registrar.

“Bonds” means bonds, notes, commercial paper or other obligations (other than Repayment Obligations) authorized by and at any time Outstanding pursuant to the Indenture, including the Initial Bonds and any Additional Bonds.

“Business Day” means any day (i) (a) on which banking business is transacted, but not including any day on which banks are authorized to be closed in New York City or in the city in which the Trustee has its Corporate Trust Office or, with respect to a related Series of Bonds, in the city in which any Security Instrument Issuer has its principal office for purposes of such Security Instrument and (b) on which the New York Stock Exchange is open, or (ii) as otherwise provided in a Supplemental Indenture.

“Capital Appreciation Bonds” means Bonds the interest on which (i) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such Bonds and designating them as Capital Appreciation Bonds, and (ii) is payable upon maturity or prior redemption of such Bonds.

“City Recorder” means the City Recorder of the Issuer and any deputy to the City Recorder or any successor to the duties of such office.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commercial Paper Program” means commercial paper obligations with maturities of not more than two hundred seventy (270) days from the dates of issuance thereof which are issued and reissued by the Issuer from time to time pursuant to the Indenture and are outstanding up to an Authorized Amount.

“Corporate Trust Office” means the designated corporate trust office of the Trustee at which, at any particular time, its corporate trust business shall be administered, which as of the date of the General Indenture is One South Main Street, 12th Floor, Salt Lake City, Utah 84133, Attention: Corporate Trust Department.

“Cost” or “Costs” or “Cost of Completion,” or any phrase of similar import, in connection with a Project or with the refunding of any bonds, means all costs and expenses which are properly chargeable thereto under generally accepted accounting principles or which are incidental to the financing, acquisition and construction of a Project, or the refunding of any bonds, including, without limiting the generality of the foregoing:

- (a) amounts payable to contractors and costs incident to the award of contracts;
- (b) cost of labor, facilities and services furnished by the Issuer and its employees or others, materials and supplies purchased by the Issuer or others and permits and licenses obtained by the Issuer or others;
- (c) engineering, architectural, legal, planning, underwriting, accounting and other professional and advisory fees;
- (d) premiums for contract bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;
- (e) interest expenses, including interest on the Series of Bonds relating to a Project;
- (f) printing, engraving and other expenses of financing, fees of financial rating services and costs of issuing the Series of Bonds (including costs of interest rate caps and costs related to Interest Rate Swaps (or the elimination thereof));

- (g) costs, fees and expenses in connection with the acquisition of real and personal property or rights therein, including premiums for title insurance;
- (h) costs of furniture, fixtures, and equipment purchased by the Issuer and necessary to construct a Project;
- (i) amounts required to repay temporary or bond anticipation loans or notes made to finance the costs of a Project;
- (j) cost of site improvements performed by the Issuer in anticipation of a Project;
- (k) moneys necessary to fund the funds created under the Indenture;
- (l) costs of the capitalization with proceeds of a Series of Bonds issued under the Indenture of any operation and maintenance expenses and other working capital appertaining to any facilities to be acquired for a Project and of any interest on a Series of Bonds for any period not exceeding the period estimated by the Issuer to effect the construction of a Project plus one year, as provided in the Indenture, of any discount on bonds or other securities, and of any reserves for the payment of the principal of and interest on a Series of Bonds, of any replacement expenses and of any other cost of issuance of a Series of Bonds or other securities, Security Instrument Costs, and Reserve Instrument Costs;
- (m) costs of amending any indenture or other instrument authorizing the issuance of or otherwise appertaining to a Series of Bonds;
- (n) all other expenses necessary or desirable and appertaining to a Project, as estimated or otherwise ascertained by the Issuer, including costs of contingencies for a Project; and
- (o) payment to the Issuer of such amounts, if any, as shall be necessary to reimburse the Issuer in full for advances and payments theretofore made or costs theretofore incurred by the Issuer for any item of Costs.

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

“Cross-over Date” means with respect to Cross-over Refunding Bonds the date on which the Principal portion of the related Cross-over Refunded Bonds is to be paid or redeemed from the proceeds of such Cross-over Refunding Bonds.

“Cross-over Refunded Bonds” means Bonds or other obligations refunded by Cross-over Refunding Bonds.

“Cross-over Refunding Bonds” means Bonds issued for the purpose of refunding Bonds or other obligations if the proceeds of such Cross-over Refunding Bonds are irrevocably deposited in escrow in satisfaction of the requirements of Section 11-27-3, Utah Code, to secure the payment on an applicable redemption date or maturity date of the Cross-over Refunded Bonds (subject to possible use to pay Principal of the Cross-over Refunding Bonds under certain circumstances) and the earnings on such escrow deposit are required to be applied to pay interest on the Cross-over Refunding Bonds until the Cross-over Date.

“Current Interest Bonds” means all Bonds other than Capital Appreciation Bonds. Interest on Current Interest Bonds shall be payable periodically on the Interest Payment Dates provided therefor in a Supplemental Indenture.

“Debt Service” means, for any particular Bond Fund Year and for any Series of Bonds and any Repayment Obligations, an amount equal to the sum of (i) all interest payable during such Bond Fund Year on such Series of Bonds plus (ii) the Principal Installments payable during such Bond Fund Year on (a) such Bonds Outstanding, calculated on the assumption that Bonds Outstanding on the day of calculation cease to be Outstanding by reason of,

but only by reason of, payment either upon maturity or application of any Sinking Fund Installments required by the Indenture, and (b) such Repayment Obligations then outstanding;

provided, however, for purposes of the issuance of Additional Bonds under the Indenture,

(1) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds or Repayment Obligations bearing interest at a variable rate which cannot be ascertained for any particular Bond Fund Year, it shall be assumed that such Series of Variable Rate Bonds or related Repayment Obligations will bear interest at such market rate of interest applicable to such Series of Variable Rate Bonds or related Repayment Obligations as shall be established for this purpose in the opinion of the Issuer's financial advisor, underwriter or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise);

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

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

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

(5) When calculating interest payable on Bonds that are Paired Obligations, the interest rate on such Bonds shall be the resulting linked rate or effective fixed interest rate to be paid by the Issuer with respect to such Paired Obligations; and

(6) Amortization of Balloon Bonds may be assumed on a level debt service basis over a twenty-year period at the interest rate based on the Revenue Bond Index as last published in *The Bond Buyer*, provided that the full amount of Balloon Bonds shall be included in the calculation if the calculation is made within twelve (12) months of the actual maturity of such Balloon Bonds and no credit facility exists;

and further provided, that there shall be excluded from Debt Service (a) interest on Bonds (including Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest or capitalized interest is available to pay such interest, (b) Principal on Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are on deposit in an irrevocable escrow in satisfaction of the requirements of Section 11-27-3, Utah Code, as amended, and such proceeds or the earnings thereon are

required to be applied to pay such Principal (subject to the possible use to pay the Principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such Principal, (c) Repayment Obligations to the extent that payments on Pledged Bonds relating to such Repayment Obligations satisfy the Issuer's obligation to pay such Repayment Obligations, (d) all interest on Bonds to the extent of Direct Payments attributable to Debt Service on Outstanding Bonds or Additional Bonds proposed to be issued.

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

"Debt Service Reserve Requirement" means with respect to each Series of Bonds issued pursuant to the Indenture, unless otherwise provided in the related Supplemental Indenture, an amount equal to the least of (i) 10% of the proceeds of such Series of Bonds determined on the basis of original principal amount (unless original issue premium or original issue discount exceeds 2% of original principal, then determined on the basis of initial purchase price to the public), (ii) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds, and (iii) 125% of the average annual Debt Service for such Series of Bonds; provided, however, that in the event any Series of Additional Bonds is issued to refund only a portion and not all of the then Outstanding Bonds of any other Series of Bonds issued pursuant to the Indenture, then the portion of such Series of Bonds that remain Outstanding immediately after the issuance of such Additional Bonds and the portion of such Additional Bonds that is allocable to the refunding of such Series of Bonds may be combined and treated as a single Series for purpose of determining the Debt Service Reserve Requirement relating to such combined Series and the resulting requirement shall be allocated among the two Series pro rata based upon the total principal amount remaining Outstanding for each Series. The Debt Service Reserve Requirement may be funded by proceeds from the sale of such Series of Bonds, by a Reserve Instrument as 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 substantially similar programs with respect to Bonds issued under the Indenture.

"Direct Payment 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.

"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 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 City of Saratoga Springs, Utah and its successors.

“Mayor” means the Mayor of the Issuer and any deputy to the Mayor or any successor to the duties of such office.

“Moody’s” means Moody’s Investors Service, Inc.

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

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

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

“Outstanding” or “Bonds Outstanding” means at any date all Bonds which have not been canceled which have been or are being authenticated and delivered by the Trustee under this Indenture, except:

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

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

“Pledged Bonds” means any Bonds that have been (i) pledged or in which any interest has otherwise been granted to a Security Instrument Issuer as collateral security for Security Instrument Repayment Obligations or (ii) purchased and held by a Security Instrument Issuer pursuant to a Security Instrument.

“Principal” means (i) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payment of Bonds after an Event of Default, in which case “Principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest), and (ii) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

“Principal Installment” means, as of any date of calculation, (i) with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (a) the Principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance of any Sinking Fund Installment due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a Principal amount equal to such unsatisfied balance of such Sinking Fund Installment and (ii) with respect to any Repayment Obligations, the principal amount of such Repayment Obligations due on a certain future date.

“Project” means the acquisition, construction, and/or renovation of the System, or the acquisition of improvements and equipment (with an expected life beyond a current Fiscal Year) for use in the System.

“Put Bond” means any Bond which is part of a Series of Bonds which is subject to purchase by the Issuer, its agent or a third party from the Owner of the Bond pursuant to provisions of the Supplemental Indenture authorizing the issuance of the Bond and designating it as a “Put Bond.”

“Qualified Engineer” means any registered or licensed engineer or architect or engineer or firm of such engineers or architects and engineers generally recognized to be qualified in engineering matters relating to construction and maintenance of municipal sewer systems. “Qualified Engineer” may include any registered or licensed engineer employed by the Issuer.

“Qualified Investments” means any of the following securities:

- (a) Government Obligations;
- (b) Obligations of any of the following federal agencies which obligations represent full faith and credit obligations of the United States of America including: the Export-Import Bank of the United States; the Government National Mortgage Association; the Federal Housing Administration; the Maritime Administration; General Services Administration, Small Business Administration; or the Department of Housing and Urban Development (PHA’s);
- (c) Money market funds rated “AAAm” or “AAAm-G” or better by S&P and/or the equivalent rating or better of Moody’s (if so rated), including money market funds from which the Trustee or its affiliates derive a fee for investment advisory services to the fund;
- (d) Commercial paper which is rated at the time of purchase in the single highest classification, P-1 by Moody’s or A-1+ by S&P, and which matures not more than 270 days after the date of purchase;
- (e) Bonds, notes or other evidences of indebtedness rated “AAA” by S&P and “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;
- (f) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks, including the Trustee and its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and

maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(g) The fund held by the Treasurer for the State of Utah and commonly known as the Utah State Public Treasurer's Investment Fund; and

(h) Any other investments or securities permitted for investment of public funds under the State Money Management Act of 1974, Title 51, Chapter 7, Utah Code, including investments contracts permitted by Section 51-7-17(2)(d) thereof.

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

"Rating Agency" means Fitch, Moody's or S&P, and their successors and assigns, but only to the extent such rating agency is then providing a rating on a Series of Bonds issued under the Indenture at the request of the Issuer. If either such Rating Agency ceases to act as a securities rating agency, the Issuer may designate any nationally recognized securities rating agency as a replacement.

"Rating Category" or "Rating Categories" mean one or more of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category or categories by a numerical modifier or otherwise.

"Rebatable Arbitrage" means with respect to any Series of Bonds where (i) the interest thereon is intended to be excludable from gross income for federal income tax purposes or (ii) Direct Payments are applicable, the amount (determinable as of each Rebate Calculation Date) of rebatable arbitrage payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Regulations.

"Rebate Calculation Date" means, with respect to any Series of Bonds where the interest thereon is intended to be excludable from gross income for federal income tax purposes, the Interest Payment Date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last Bond for such Series.

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

"Register" means the record of ownership of the Bonds maintained by the Registrar.

"Registrar" means the Trustee (or other party designated as Registrar by Supplemental Indenture), appointed as the registrar for the Bonds pursuant to the Indenture, and any additional or successor registrar appointed pursuant to the Indenture.

"Regular Record Date" means unless otherwise provided by Supplemental Indenture for a Series of Bonds, the fifteenth day of the month immediately preceding each Interest Payment Date.

"Regulations," and all references thereto shall mean and include applicable final, proposed and temporary United States Treasury Regulations promulgated with respect to Sections 103 and 141 through 150 of the Code, including all amendments thereto made hereafter.

"Remarketing Agent" means a remarketing agent or commercial paper dealer appointed by the Issuer pursuant to a Supplemental Indenture.

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

“Repair and Replacement Reserve Requirement” means the amount or amounts from time to time required under each Supplemental Indenture to be on deposit in the Repair and Replacement Fund.

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

“Reserve Instrument” means a device or instrument issued by a Reserve Instrument Provider to satisfy all or any portion of the Debt Service Reserve Requirement applicable to a Series of Bonds. The term “Reserve Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit and other devices.

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

“Reserve Instrument Costs” means all fees, premiums, expenses and similar costs, other than Reserve Instrument Repayment Obligations, required to be paid to a Reserve Instrument Provider pursuant to a Reserve Instrument Agreement. Each Reserve Instrument Agreement shall specify the fees, premiums, expenses and costs constituting Reserve Instrument Costs.

“Reserve Instrument Coverage” means, as of any date of calculation, the aggregate amount available to be paid to the Trustee pursuant to the Indenture under all Reserve Instruments.

“Reserve Instrument Fund” means the City of Saratoga Springs, Utah Sewer 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 (including the Supplemental Indenture authorizing the use of such Reserve Instrument) to repay the Reserve Instrument Provider for payments previously made by it pursuant to a Reserve Instrument. There shall not be included in the calculation of Reserve Instrument Repayment Obligations any Reserve Instrument Costs.

“Revenue Fund” means the City of Saratoga Springs, Utah Sewer Revenue Fund created in the Indenture to be held by the Issuer and administered pursuant to the Indenture.

“Revenues” means all gross income and revenues of any kind, from any source whatsoever, derived from the ownership and operation of the System, including, without limitation, all fees, Direct Payments, rates, connection charges, impact fees imposed with respect to the System to the extent such impact fees may be pledged and available for the payment of the Bonds and other charges, the gross revenues of all improvements, additions, and extensions of the System hereafter constructed or acquired, and all interest earned by and profits derived from the sale of investments made with the income and revenues.

“S&P” means S&P Global Ratings.

“Security Instrument” means an instrument or other device issued by a Security Instrument Issuer to pay, or to provide security or liquidity for, a Series of Bonds. The term “Security Instrument” includes, by way of example

and not of limitation, letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit and other security instruments and credit enhancement or liquidity devices (but does not include a Reserve Instrument); provided, however, that no such device or instrument shall be a “Security Instrument” for purposes of this Indenture unless specifically so designated in a Supplemental Indenture authorizing the use of such device or instrument.

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

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

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

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

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

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

“Sinking Fund Installment” means the amount of money which is required to be deposited into the Sinking Fund Account in each Bond Fund Year for the retirement of Term Bonds as specified in the Supplemental Indenture authorizing said Term Bonds (whether at maturity or by redemption), and including the redemption premium, if any.

“Special Record Date” means such date as may be fixed for the payment of defaulted interest on the Bonds in accordance with the Indenture.

“State” means the State of Utah.

“Supplemental Indenture” means any indenture between the Issuer and the Trustee entered into pursuant to and in compliance with the provisions of the Indenture.

“Swap Counterparty” means a member of the International Swap Dealers Association rated in one of the three top Rating Categories by at least one of the Rating Agencies and meeting the requirements of applicable laws of the State.

“Swap Payments” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Swap Counterparty by the Issuer. Swap Payments do not include any Termination Payments.

“Swap Receipts” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable for the account of the Issuer by the Swap Counterparty. Swap Receipts do not include amounts received with respect to the early termination or modification of an Interest Rate Swap.

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

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

“Trustee” means ZB, National Association, dba Zions 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 hereunder.

“Utah Code” means Utah Code Annotated 1953, as amended.

“Variable Rate Bonds” means, as of any date of calculation, Bonds, the interest on which for any future period of time, is to be calculated at a rate which is not susceptible to a precise determination.

“Year” means any twelve-consecutive-month period.

Indenture to Constitute Contract

In consideration of the purchase and acceptance from time to time of any and all of the Bonds authorized to be issued under the Indenture by the Registered Owners thereof, the issuance from time to time of any and all Security Instruments by Security Instrument Issuers, and the issuance from time to time of any and all Reserve Instruments by Reserve Instrument Providers pursuant to the Indenture, the Indenture shall be deemed to be and shall constitute a contract between the Issuer and the Owners from time to time of the Bonds, the Security Instrument Issuers, and the Reserve Instrument Providers; and the pledge made in the Indenture and the covenants and agreements in the Indenture set forth to be performed by or on behalf of the Issuer shall be, FIRST, for the equal benefit, protection and security of the Owners of any and all of the Bonds and the Security Instrument Issuers of any and all of the Security Instruments all of which, regardless of the time or times of their issuance, delivery, maturity, or expiration, shall be of equal rank without preference, priority or distinction of any of the Bonds or Security Instrument Repayment Obligations over any others, except as expressly provided in or permitted by the Indenture, and SECOND, for the equal benefit, protection and security of the Reserve Instrument Providers of any and all of the Reserve Instruments which, regardless of the time or times of their issuance, delivery or termination, shall be of equal rank without preference, priority or distinction of any Reserve Instrument over any other thereof.

Special Funds and Accounts

Use of Acquisition/Construction Fund.

(a) So long as an Event of Default shall not have occurred and be continuing and except as otherwise provided by Supplemental Indenture, moneys deposited in the appropriate account in the Acquisition/Construction Fund shall be disbursed by the Trustee to pay the Costs of a Project, in each case within three Business Days (or within such longer period as is reasonably required to liquidate investments in the Acquisition/Construction Fund if required to make such payment) after the receipt by the Trustee of a written requisition approved by an authorized Representative of the Issuer stating that the Trustee shall disburse sums in the manner specified by and at the direction of the Issuer to the person or entity designated in such written requisition, and that the amount set forth therein is justly due and owing and constitutes a Cost of a Project based upon audited itemized claims substantiated in support thereof.

(b) Upon receipt of such requisition, the Trustee shall pay the obligation set forth in such requisition out of moneys in the applicable account in the Acquisition/Construction Fund. In making such payments the Trustee may rely upon the information submitted in such requisition. Such payments shall be presumed to be made properly and the Trustee shall not be required to verify the application of any payments from the Acquisition/Construction Fund or to inquire into the purposes for which disbursements are being made from the Acquisition/Construction Fund.

(c) The Issuer shall deliver to the Trustee, within 90 days after the completion of a Project, a certificate executed by an Authorized Representative of the Issuer stating:

(i) that such Project has been fully completed in accordance with the plans and specifications therefor, as amended from time to time, and stating the date of completion for such Project; and

(ii) that the Project has been fully paid for and no claim or claims exist against the Issuer or against such Project out of which a lien based on furnishing labor or material exists or might ripen; provided, however, there may be excepted from the foregoing certification any claim or claims out of which a lien exists or might ripen in the event the Issuer intends to contest such claim or claims, in which event such claim or claims shall be described to the Trustee.

(d) In the event the certificate filed with the Trustee pursuant to Paragraph (c) above shall state that there is a claim or claims in controversy which create or might ripen into a lien, an Authorized Representative of the Issuer shall file a similar certificate with the Trustee when and as such claim or claims shall have been fully paid or otherwise discharged.

(e) The Trustee and the Issuer shall keep and maintain adequate records pertaining to each account within the Acquisition/Construction Fund and all disbursements therefrom.

(f) Unless otherwise specified in a Supplemental Indenture, upon completion of a Project and payment of all costs and expenses incident thereto and the filing with the Trustee of documents required by the Indenture, any balance remaining in the applicable account in the Acquisition/Construction Fund relating to such Project shall, as directed by an Authorized Representative of the Issuer, be deposited in the Bond Fund, to be applied, (i) toward the redemption of the Series of Bonds issued to finance such Project or (ii) to pay principal and/or interest next falling due with respect to such Series of Bonds.

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

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

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

(ii) all moneys payable by the Issuer as specified in “Use of Revenue Fund” above;

(iii) any amount in the Acquisition/Construction Fund to the extent required by or directed pursuant to the Indenture upon completion of a Project;

(iv) all moneys transferred from the Debt Service Reserve Fund or from a Reserve Instrument or Instruments then in effect as provided in the Indenture; and

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

(b) Except as provided in the Indenture and except as otherwise provided by Supplemental Indenture, moneys in the Bond Fund shall be expended solely for the following purposes and in the following order of priority:

(i) on or before each Interest Payment Date for each Series of Bonds, the amount required to pay the interest due on such date;

(ii) on or before each Principal Installment due date, the amount required to pay the Principal Installment due on such due date; and

(iii) on or before each redemption date for each Series of Bonds, the amount required to pay the redemption price of and accrued interest on such Bonds then to be redeemed.

Such amounts shall be applied by the Paying Agent to pay Principal Installments and redemption price of, and interest on the related Series of Bonds.

The Trustee shall pay out of the Bond Fund to the Security Instrument Issuer, if any, that has issued a Security Instrument with respect to such Series of Bonds an amount equal to any Security Instrument Repayment Obligation then due and payable to such Security Instrument Issuer. Except as otherwise specified in a related Supplemental Indenture all such Security Instrument Repayment Obligations shall be paid on a parity with the payments to be made with respect to principal and interest on the Bonds; provided that amounts paid under a Security Instrument shall be applied only to pay the related Series of Bonds. If payment is so made on Pledged Bonds held for the benefit of the Security Instrument Issuer, a corresponding payment on the Security Instrument Repayment Obligation shall be deemed to have been made (without requiring an additional payment by the Issuer) and the Trustee shall keep its records accordingly.

The Issuer authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay principal of and interest on the Bonds and on Security Instrument Repayment Obligations as the same become due and payable and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying said principal and interest.

(c) After payment in full of the principal of and interest on (1) all Bonds issued under the Indenture (or after provision has been made for the payment thereof as provided in the Indenture so that such Bonds are no longer Outstanding); (2) all agreements relating to all Security Instrument Repayment Obligations and outstanding Reserve Instrument Repayment Obligations in accordance with their respective terms; and (3) the fees, charges and expenses of the Trustee, the Paying Agent and any other amounts required to be paid under the Indenture or under any Supplemental Indenture and under any Security Instrument Agreement and under any Reserve Instrument Agreement; all amounts remaining in the Bond Fund shall be paid to the Issuer.

Use of Sinking Fund Account.

(a) The Trustee shall apply moneys in the Sinking Fund Account to the retirement of any Term Bonds required to be retired by operation of the Sinking Fund Account under the provisions of and in accordance with the Supplemental Indenture authorizing the issuance of such Term Bonds, either by redemption in accordance with such Supplemental Indenture or, at the direction of the Issuer, purchase of such Term Bonds in the open market prior to the date on which notice of the redemption of such Term Bonds is given pursuant to the Indenture, at a price not to exceed the redemption price of such Term Bonds (plus accrued interest which will be paid from moneys in the Bond Fund other than those in the Sinking Fund Account).

(b) On the maturity date of any Term Bonds, the Trustee shall apply the moneys on hand in the Sinking Fund Account for the payment of the principal of such Term Bonds.

Use of Debt Service Reserve Fund. Except as otherwise provided in this Section and subject to the immediately following sentence, moneys in each account in the Debt Service Reserve Fund shall at all times be maintained in an amount not less than the applicable Debt Service Reserve Requirement, if any. In calculating the amount on deposit in each account in the Debt Service Reserve Fund, the amount of any Reserve Instrument Coverage will be treated as an amount on deposit in such account in the Debt Service Reserve Fund. Each Supplemental Indenture authorizing the issuance of a Series of Bonds shall specify the Debt Service Reserve Requirement, if any, applicable to such Series which amount shall either be (i) deposited immediately upon the issuance and delivery of such Series from (a) proceeds from the sale thereof or from any other legally available source, or (b) by a Reserve Instrument or Instruments, or (c) any combination thereof, (ii) deposited from available Net Revenues over the period of time specified therein, or (iii) deposited from any combination of (i) and (ii) above; provided however, the foregoing provisions shall be subject to the requirements of any Security Instrument Issuer set forth in any Supplemental Indenture. If at any time the amount on deposit in any account of the Debt Service Reserve Fund is less than the minimum amount to be maintained therein under this Section, the Issuer is required, pursuant to the Indenture and the

provisions of any Supplemental Indenture, make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund.

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

No Reserve Instrument shall be allowed to expire or terminate while the related Series of Bonds are Outstanding unless and until cash has been deposited into the related account of the Debt Service Reserve Fund, or a new Reserve Instrument has been issued in place of the expiring or terminating Reserve Instrument, or any combination thereof in an amount or to provide coverage, as the case may be, at least equal to the amount required to be maintained in the related account of the Debt Service Reserve Fund.

Moneys at any time on deposit in the account of the Debt Service Reserve Fund in excess of the amount required to be maintained therein (taking into account the amount of related Reserve Instrument Coverage) shall be transferred by the Trustee to the Bond Fund at least once each year.

Moneys on deposit in any account of the Debt Service Reserve Fund shall be used to make up any deficiencies in the Bond Fund only for the Series of Bonds secured by said account and any Reserve Instrument shall only be drawn upon with respect to the Series of Bonds for which such Reserve Instrument was obtained.

The Issuer may, upon obtaining approving opinion of bond counsel to the effect that such transaction will not adversely affect the tax-exempt status of any outstanding Bonds, replace any amounts required to be on deposit in the Debt Service Reserve Fund with a Reserve Instrument.

Use of Reserve Instrument Fund. There shall be paid into the Reserve Instrument Fund the amounts required and by a Supplemental Indenture to be so paid. The amounts in the Reserve Instrument Fund shall, from time to time, be applied by the Trustee on behalf of the Issuer to pay the Reserve Instrument Repayment Obligations which are due and payable to any Reserve Instrument Provider under any applicable Reserve Instrument Agreement.

Use of Repair and Replacement Fund. All moneys in the Repair and Replacement Fund may be drawn on and used by the Issuer for the purpose of (a) paying the cost of unusual or extraordinary maintenance or repairs of the System; (b) paying the costs of any renewals, renovation, improvements, expansion or replacements to the System; and (c) paying the cost of any replacement of buildings, lines, equipment and other related facilities, to the extent the same are not paid as part of the ordinary and normal expense of the operation of the System.

Funds shall be deposited at least semi-annually from available Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) in such amounts as may be required from time to time by each Supplemental Indenture until the Repair and Replacement Fund has an amount equivalent to the Repair and Replacement Requirement. Any deficiencies below the Repair and Replacement Requirement shall be made up from Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) of the System available for such purposes. Funds at any time on deposit in the Repair and Replacement Fund in excess of the amount required to be maintained therein may, at any time, be used by the Issuer for any lawful purpose.

Use of Rebate Fund. 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.

Investment of Funds. All moneys in the Bond Fund, the Acquisition/Construction Fund, the Reserve Instrument Fund, the Rebate Fund, or the Debt Service Reserve Fund shall, at the discretion and written authorization

of the Issuer's Authorized Representative, be invested by the Trustee in Qualified Investments; provided however, that moneys on deposit in the Bond Fund and the Reserve Instrument Fund may only be invested in Qualified Investments having a maturity date of one year or less. If no written authorization is given to the Trustee, moneys shall be held uninvested. Such investments shall be held by the Trustee, and when the Trustee determines it necessary to use the moneys in the Funds for the purposes for which the Funds were created, it shall liquidate at prevailing market prices as much of the investments as may be necessary and apply the proceeds to such purposes. All income derived from the investment of the Acquisition/Construction Fund, Bond Fund, the Reserve Instrument Fund and Rebate Fund shall be maintained in said respective Funds and disbursed along with the other moneys on deposit therein as provided in the Indenture. All income derived from the investment of the Debt Service Reserve Fund shall be disbursed in accordance with the Indenture. All moneys in the Revenue Fund may, at the discretion of the Issuer, be invested by the Issuer in Qualified Investments.

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

Trust Funds. All moneys and securities received by the Trustee under the provisions of the Indenture shall be trust funds under the terms of the Indenture and shall not be subject to lien or attachment of any creditor of the State or any political subdivision, body, agency, or instrumentality thereof or of the Issuer and shall not be subject to appropriation by any legislative body or otherwise. Such moneys and securities shall be held in trust and applied in accordance with the provisions of the Indenture. Except as provided otherwise in the Indenture, unless and until disbursed pursuant to the terms of the Indenture, all such moneys and securities (and the income therefrom) shall be held by the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds and the fees and expenses of the Trustee payable under the Indenture.

Method of Valuation and Frequency of Valuation. In computing the amount in any fund or account, Qualified Investments shall be valued at market, exclusive of accrued interest. With respect to all funds and accounts, valuation shall occur annually, except in the event of a withdrawal from the Debt Service Reserve Fund, whereupon securities shall be valued immediately after such withdrawal.

Use of Rate Stabilization Fund. The Issuer may create and maintain the Rate Stabilization Fund as a separate fund of the Issuer. The Rate Stabilization Fund may be funded by the Issuer from any legally available funds of the Issuer and/or may be funded by the Issuer from amounts transferred from the Revenue Fund as provided in the Indenture. The Issuer may, from time to time, designate all or a portion of the amounts on deposit in the Rate Stabilization Fund as Other Available Funds (as described in the definition thereof). Except for amounts designated as provided in the immediately preceding sentence (for the year so designated), amounts on deposit in the Rate Stabilization Fund may be used by the Issuer for any lawful purpose. To the extent that amounts on deposit in the Revenue Fund are insufficient in any year for any of the purposes thereof the Issuer covenants, to the extent amounts are on deposit in the Rate Stabilization Fund, to transfer amounts from the Rate Stabilization Fund to the Revenue Fund to cover any such insufficiency.

Covenants

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

(a) While any of the principal of and interest on the Bonds are outstanding and unpaid, or any Repayment Obligations are outstanding, any resolution or other enactment of the Governing Body of the Issuer, applying the Net Revenues for the payment of the Bonds and the Repayment Obligations shall be irrevocable until the Bonds and/or any Repayment Obligations have been paid in full as to both principal and interest, and is not subject to amendment in any manner which would impair the rights of the holders of those Bonds or the Repayment Obligations which would in any way jeopardize the timely payment of principal or interest when due. Furthermore, the rates for all services supplied by the System to the Issuer and to its inhabitants and to all rate payers within or without the boundaries of the Issuer, shall be sufficient to pay the Operation and Maintenance Expenses for the System, and to provide Net Revenues for each Bond Fund Year which when added to the Other Available Funds for such year (less Direct Payments) shall equal not less than 125% of the Aggregate Annual Debt Service Requirement for such year, plus an amount sufficient to fund the Debt Service Reserve Fund in the time, rate and manner specified in the

Indenture; provided, however, that such rates must be reasonable rates for the type, kind and character of the service rendered. There shall be no free service, and such rates shall be charged against all users of the System, including the Issuer. The Issuer agrees that should its annual financial statement made in accordance with the provisions of the Indenture disclose that during the period covered by such financial statement the Net Revenues and Other Available Funds were not at least equal to the above requirement, the Issuer shall request that a Qualified Engineer, independent accountant, or other independent financial consultant make recommendations as to the revision of the rates, charges and fees and that the Issuer on the basis of such recommendations will revise the schedule of rates, charges and fees and further revise Operation and Maintenance Expenses so as to produce the necessary Net Revenues and Other Available Funds as required in the Indenture.

(b) The Issuer will maintain the System in good condition and operate the same in an efficient manner.

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

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

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

First Lien Bonds; Equality of Liens. The Bonds and any Security Instrument Repayment Obligation constitute an irrevocable first lien upon the Net Revenues. The Issuer covenants that the Bonds and Security Instrument Repayment Obligations hereafter authorized to be issued and from time to time outstanding are equitably and ratably secured by a first lien on the Net Revenues and shall not be entitled to any priority one over the other in the application of the Net Revenues regardless of the time or times of the issuance of the Bonds or delivery of Security Instruments, it being the intention of the Issuer that there shall be no priority among the Bonds or the Security Instrument Repayment Obligations regardless of the fact that they may be actually issued and delivered at different times.

Any assignment or pledge from the Issuer to a Reserve Instrument Provider of (i) proceeds of the issuance and sale of Bonds, (ii) Net Revenues, or (iii) Funds established, including investments, if any, thereof, is and shall be subordinate to the assignment and pledge effected to the Registered Owners of the Bonds and to the Security Instrument Issuers.

Payment of Principal and Interest. The Issuer covenants that it will punctually pay or cause to be paid the Principal of and interest on every Bond issued under the Indenture, any Security Instrument Repayment Obligations and any Reserve Instrument Repayment Obligations, in strict conformity with the terms of the Bonds, the Indenture, any Security Instrument Agreement and any Reserve Instrument Agreement, according to the true intent and meaning of the Indenture and thereof. The Principal of and interest on the Bonds, any Security Instrument Repayment Obligations and any Reserve Instrument Repayment Obligations are payable solely from the Net Revenues (except to the extent paid out of moneys attributable to Bond proceeds or other funds created under the Indenture or the income from the temporary investment thereof), which Net Revenues are specifically pledged and assigned to the payment thereof in the manner and to the extent specified in the Indenture, and nothing in the Bonds, the Indenture, any Security Instrument Agreement, or any Reserve Instrument Agreement should be considered as pledging any other funds or assets of the Issuer for the payment thereof.

Performance of Covenants; Issuer. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, and in any and every Bond, Security Instrument Agreement, and Reserve Instrument Agreement. The Issuer represents that it is duly authorized under the Constitution of the State to issue the Bonds authorized by the Indenture and to execute the Indenture, that all actions on its part for the issuance of the Bonds and the execution and delivery of the Indenture have been duly and effectively taken, and that the Bonds in the hands of the Registered Owners thereof are and will be valid and enforceable obligations of the Issuer according to the import thereof.

List of Bondholders. The Trustee will keep on file at its Corporate Trust Office a list of the names and addresses of the Registered Owners of all Bonds which are from time to time registered on the registration books in the hands of the Trustee as Registrar for the Bonds. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Issuer or by the Registered Owners (or a designated representative thereof) of 10% or more in Principal amount of Bonds then Outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

Management of System. The Issuer, in order to assure the efficient management and operation of the System and to assure each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider from time to time that the System will be operated on sound business principles, will employ competent and experienced management for the System, will use its best efforts to see that the System is at all times operated and maintained in first-class repair and condition and in such manner that the operating efficiency thereof shall be of the highest character.

Use of Legally Available Moneys. Notwithstanding any other provisions of the Indenture, nothing in the Indenture shall be construed to prevent the Issuer from (i) paying all or any part of the Operation and Maintenance Expenses from any funds available to the Issuer for such purpose, (ii) depositing any funds available to the Issuer for such purpose in any account in the Bond Fund for the payment of the interest on, premium, if any, or the principal of any Bonds issued under provisions of the Indenture or for the redemption of any such Bonds, or (iii) depositing any funds available to the Issuer for such purpose in the Reserve Instrument Fund for the payment of any amounts payable under any applicable Reserve Instrument Agreement.

Payment of Taxes and Other Charges. The Issuer covenants that all taxes and assessments or other municipal or governmental charges lawfully levied or assessed upon the System or upon any part thereof or upon any income therefrom will be paid when the same shall become due, that no lien or charge upon the System or any part thereof or upon any Revenues thereof, except for the lien and charge thereon created under the Indenture and securing the Bonds, will be created or permitted to be created ranking equally with or prior to the Bonds (except for the parity lien thereon of Additional Bonds issued from time to time under the Indenture and under Supplemental Indentures), and that all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the System or any part thereof or upon the Revenues thereof will be paid or discharged, or adequate provision will be made for the payment or discharge of such claims and demands within 60 days after the same shall accrue; provided, however, that nothing in the Indenture shall require any such lien or charge to be paid or discharged or provision made therefor so long as the validity of such lien or charge shall be contested in good faith and by appropriate legal proceedings.

Insurance. The Issuer, in its operation of the System, will self-insure or carry insurance, including, but not limited to, workmen's compensation insurance and public liability insurance, in such amounts and to such extent as is normally carried by others operating public utilities of the same type. The cost of such insurance shall be considered an Operation and Maintenance Expense of the System. In the event of loss or damage, insurance proceeds shall be used first for the purpose of restoring or replacing the property lost or damaged. Any remainder shall be paid into the Bond Fund.

Covenant Not to Sell. The Issuer will not sell, lease, mortgage, encumber, or in any manner dispose of the System or any substantial part thereof, including any and all extensions and additions that may be made thereto, until all principal of and interest on the Bonds, and all Reserve Instrument Repayment Obligations, have been paid in full, except as follows:

- (a) The Issuer may sell any portion of said property which shall have been replaced by other property of like kind and of at least equal value. The Issuer may sell, lease, abandon, mortgage, or otherwise

dispose of any portion of the property which shall cease to be necessary for the efficient operation of the System the disposition of which will not, as reasonably determined by the governing body of the Issuer, result in a material reduction in Net Revenues in any year; and the value of which, as reasonably determined by the governing body of the Issuer (together with any other property similarly disposed of within the 12 calendar months preceding the proposed disposition) does not exceed 10% of the value of the System assets, provided, however, that in the event of any sale or lease as aforesaid, the proceeds of such sale or lease not needed to acquire other System property shall be paid into the Bond Fund.

(b) The Issuer may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System, provided that any such lease, contract, license, arrangement, easement or right does not impede the operation of the System; and any payment received by the Issuer under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the System or any part thereof shall constitute Revenues.

Default Provisions

Events of Default. Each of the following events is declared an “Event of Default”:

(a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund under the Indenture or otherwise; or

(c) if the Issuer shall, in the reasonable opinion of any Registered Owner of not less than 50% in aggregate principal amount of the Bonds then Outstanding under the Indenture, for any reason be rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or custodian for any of the Revenues of the Issuer, or approving a petition filed against the Issuer seeking reorganization of the Issuer under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the Issuer shall not be vacated or discharged or stayed on appeal within 30 days after the entry thereof; or

(e) if any proceeding shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a composition between the Issuer and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or

(f) if (i) the Issuer is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the Issuer, a receiver, trustee or custodian of the Issuer or of the whole or any part of the Issuer’s property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the Issuer shall file a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Issuer or of the whole or any substantial part of the property of the Issuer, and such custody or control shall not be terminated within 30 days from the date of assumption of such custody or control;

(i) if the Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture or any Supplemental Indenture on the part of the Issuer to be performed, other than as set forth in the Indenture, and such Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the Issuer by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate Principal amount of the Bonds then Outstanding under the Indenture; or

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

Remedies; Rights of Registered Owners. Upon the occurrence of an Event of Default, the Trustee, upon being indemnified pursuant to the Indenture, may pursue any available remedy by suit at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds then Outstanding or to enforce any obligations of the Issuer under the Indenture.

If an Event of Default shall have occurred, and if requested so to do by (i) Registered Owners of not less than 25% in aggregate Principal amount of the Bonds then Outstanding, (ii) Security Instrument Issuers at that time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 25% in aggregate Principal amount of Bonds at the time Outstanding, or (iii) any combination of Registered Owners and Security Instrument Issuers described in (i) and (ii) above representing not less than 25% in aggregate Principal amount of Bonds at the time Outstanding, and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Registered Owners and the Security Instrument Issuers.

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

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

No waiver of any Event of Default under the Indenture, whether by the Trustee or by the Registered Owners or the Security Instrument Issuers, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Right of Registered Owners to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, unless a Supplemental Indenture provides otherwise, either (i) the Registered Owners of a majority in aggregate Principal amount of the Bonds then Outstanding, (ii) the Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding, or (iii) any combination of Registered Owners and Security Instrument Issuers described in (i) and (ii) above representing not less than 50% in aggregate Principal amount of Bonds at the time Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of Trustee's fees and expenses including the fees and expenses of its counsel for the proceedings resulting in the collection of such moneys and of the expenses and liabilities and advances incurred or made by the Trustee and any other outstanding fees and expenses of the Trustee relating to its duties under the Indenture, be deposited in the Bond Fund and all moneys so deposited in the Bond Fund shall be applied in the following order:

(a) To the payment of the principal of, premium, if any, and interest then due and payable on the Bonds and the Security Instrument Repayment Obligations as follows:

(i) Unless the Principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST—To the payment to the persons entitled thereto of all installments of interest then due on the Bonds and the interest component of any Security Instrument Repayment Obligations then due, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND—To the payment to the persons entitled thereto of the unpaid Principal of and premium, if any, on the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, and the Principal component of any Security Instrument Repayment Obligations then due, and, if the amount available shall not be sufficient to pay in full all the Bonds and the Principal component of any Security Instrument Repayment Obligations due on any particular date, then to the payment ratably, according to the amount of Principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(ii) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the Principal and interest then due and unpaid upon the Bonds and Security Instrument Repayment Obligations, without preference or priority of Principal over interest or of interest over Principal, or of any installment of interest over any other installment of interest, or of any Bond or Security Instrument Repayment Obligation over any other Bond or Security Instrument Repayment Obligation, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or privilege.

(iii) To the payment of all obligations owed to all Reserve Instrument Providers, ratably, according to the amounts due without any discrimination or preference under any applicable agreement related to any Reserve Instrument Agreement.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amounts of such moneys available for such application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal paid on such dates shall cease to accrue.

Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings related thereto and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Registered Owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the Registered Owners of the Outstanding Bonds.

Rights and Remedies of Registered Owners. Except as provided in the last sentence of this paragraph, no Registered Owner of any Bond or Security Instrument Issuer shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Indenture, unless an Event of Default has occurred of which the Trustee has been notified as provided in the Indenture, or of which it is deemed to have notice, nor unless also Registered Owners of 25% in aggregate principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 25% in aggregate principal amount of Bonds at the time Outstanding shall

have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in the Indenture nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted in the Indenture, or to institute such action, suit or proceeding in its own name or names. Such notification, request and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trust of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture; it being understood and intended that no one or more Registered Owner of the Bonds or Security Instrument Issuer shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by its action or to enforce any right under the Indenture except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of the Registered Owners of all Bonds then Outstanding and all Security Instrument Issuers at the time of providing Security Instruments. Nothing contained in the Indenture shall, however, affect or impair the right of any Registered Owner or Security Instrument Issuer to enforce the covenants of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds issued under the Indenture held by such Registered Owner and Security Instrument Repayment Obligations at the time, place, from the source and in the manner in said Bonds or Security Instrument Repayment Obligations expressed.

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

Waivers of Events of Default. Subject to certain provisions of the Indenture, the Trustee may in its discretion, waive any Event of Default under the Indenture and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate Principal amount of all the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding in respect of which an Event of Default in the payment of principal and interest exist, or (b) a majority in aggregate principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any default in the payment of the principal of any Bonds at the date that a Principal Installment is due, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee, the Registered Owners and the Security Instrument Issuers shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

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

Trustee Provisions

Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its services rendered as Trustee under the Indenture and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent

and Registrar for the Bonds as provided in the Indenture. Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond for the foregoing advances, fees, costs and expenses incurred. The Trustee's rights under this provision will not terminate upon its resignation or removal or upon payment of the Bonds and discharge of the Indenture.

Trustee's Right to Own and Deal in Bonds. The bank or trust company acting as Trustee under the Indenture, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued under the Indenture and secured by the Indenture, and may join in any action which any Bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee under the Indenture.

Supplemental Indentures

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

- (a) To provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;
- (b) To cure any ambiguity or formal defect or omission in the Indenture;
- (c) To grant to or confer upon the Trustee for the benefit of the Registered Owners, any Security Instrument Issuers and any Reserve Instrument Providers any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners or any of them which shall not adversely affect the interests of any Reserve Instrument Providers or Security Instrument Issuers without its consent;
- (d) To subject to the Indenture additional Revenues or other revenues, properties, collateral or security;
- (e) To provide for the issuance of the Bonds pursuant to a book-entry system or as uncertificated registered public obligations pursuant to the provisions of the Registered Public Obligations Act, Title 15, Chapter 7 of the Utah Code, or any successor provisions of law;
- (f) To make any change which shall not materially adversely affect the rights or interests of the Owners of any Outstanding Bonds, any Security Instrument Issuers or any Reserve Instrument Provider, requested or approved by a Rating Agency in order to obtain or maintain any rating on the Bonds or requested or approved by a Security Instrument Issuer or Reserve Instrument Provider in order to insure or provide other security for any Bonds;
- (g) To make any change necessary (A) to establish or maintain the excludability from gross income for federal income tax purposes of interest on any Series of Bonds as a result of any modifications or amendments to Section 148 of the Code or interpretations by the Internal Revenue Service of Section 148 of the Code or of regulations proposed or promulgated thereunder, or (B) to comply with the provisions of Section 148(f) of the Code, including provisions for the payment of all or a portion of the investment earnings of any of the Funds established hereunder to the United States of America or (C) to establish or maintain the Direct Payments related to any Series of Bonds;
- (h) If the Bonds affected by any change are rated by a Rating Agency, to make any change which does not result in a reduction of the rating applicable to any of the Bonds so affected, provided that if any of the Bonds so affected are secured by a Security Instrument, such change must be approved in writing by the related Security Instrument Issuer;
- (i) If the Bonds affected by any change are secured by a Security Instrument, to make any change approved in writing by the related Security Instrument Issuer, provided that if any of the Bonds so affected are rated by a Rating Agency, such change shall not result in a reduction of the rating applicable to any of the Bonds so affected;

(j) Unless otherwise provided by a Supplemental Indenture authorizing a Series of Bonds, the designation of the facilities to constitute a Project by such Supplemental Indenture may be modified or amended if the Issuer delivers to the Trustee (1) a Supplemental Indenture designating the facilities to comprise the Project, (2) an opinion of Bond Counsel to the effect that such amendment will not adversely affect the tax-exempt status (if applicable) or validity of the Bonds and (3) a certificate of the Issuer to the effect that such amendment will not adversely affect the Issuer's ability to comply with the provisions of the Indenture; and

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

Supplemental Indentures Requiring Consent of Registered Owners and Reserve Instrument Providers; Waivers and Consents by Registered Owners. Exclusive of Supplemental Indentures covered by the preceding subsection and subject to the terms and provisions contained in the Indenture, and not otherwise, the Registered Owners of 66 2/3% in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to (i) consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture, or (ii) waive or consent to the taking by the Issuer of any action prohibited, or the omission by the Issuer of the taking of any action required, by any of the provisions of the Indenture or of any indenture supplemental; provided, however, that nothing in the Indenture contained shall permit or be construed as permitting (a) an extension of the date that a Principal Installment is due at maturity or mandatory redemption or reduction in the principal amount of, or reduction in the rate of or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bond, without the consent of the Registered Owner of such Bond, or (b) a reduction in the amount or extension of the time of any payment required by any Fund established under the Indenture applicable to any Bonds without the consent of the Registered Owners of all the Bonds which would be affected by the action to be taken, or (c) a reduction in the aforesaid aggregate principal amount of Bonds, the Registered Owners of which are required to consent to any such waiver or Supplemental Indenture, or (d) affect the rights of the Registered Owners of less than all Bonds then outstanding, without the consent of the Registered Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken. In addition, no supplement shall modify the rights, duties or immunities of the Trustee, without the written consent of the Trustee. If a Security Instrument or Reserve Instrument is in effect with respect to any Series of Bonds Outstanding and if a proposed modification or amendment would affect such Series of Bonds, then, except as provided in the preceding Section, neither the Indenture nor any Supplemental Indenture with respect to such Series of Bonds shall be modified or amended at any time without the prior written consent of the related Security Instrument Issuer or Reserve Instrument Provider, as applicable.

Discharge of Indenture

If the Issuer shall pay or cause to be paid, or there shall be otherwise paid or provision for payment made, to or for the Registered Owners of the Bonds, the principal of and interest due or to become due thereon at the times and in the manner stipulated therein, and shall pay or cause to be paid to the Trustee all sums of moneys due or to become due according to the provisions of the Indenture, and to all Security Instrument Issuers and all Reserve Instrument Providers all sums of money due or to become due according to the provisions of any Security Instrument Agreements, Reserve Instrument Agreements, as applicable, then 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);

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

(c) if the Bonds to be redeemed will not be redeemed within 90 days of such deposit, directing the Trustee to mail, as soon as practicable, in the manner prescribed by the Indenture, a notice to the Registered Owners of such Bonds and to each related Security Instrument Issuer that the deposit required by the Indenture has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Bonds as specified in Subparagraph (a) above.

Any moneys so deposited with the Trustee as provided in the Indenture may at the direction of the Issuer also be invested and reinvested in Direct Obligations, maturing in the amounts and times as set forth in the Indenture, and all income from all Direct Obligations in the hands of the Trustee pursuant to the Indenture which is not required for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in that fund; provided, however, that before any excess moneys shall be deposited in the Bond Fund, the Trustee shall first obtain a written verification from a certified public accountant that the moneys remaining on deposit with the Trustee and invested in Direct Obligations after such transfer to the Bond Fund shall be sufficient in amount to pay principal and interest on the Bonds when due and payable.

Notwithstanding any provision of the Indenture, all moneys or Direct Obligations set aside and held in trust pursuant to the provisions of the Indenture for the payment of Bonds (including interest thereon) shall be applied to and used solely for the payment of the particular Bonds (including interest thereon) with respect to which such moneys or Direct Obligations have been so set aside in trust.

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

APPENDIX C

**ECONOMIC AND DEMOGRAPHIC
INFORMATION REGARDING THE CITY AND UTAH COUNTY**

THE CITY

Population

<u>Year</u>	<u>Population</u>	<u>Percent Change</u>
2016 Estimate	26,887	5.99%
2015 Estimate	25,368	4.23
2014 Estimate	24,339	7.15
2013 Estimate	22,715	7.56
2012 Estimate	21,119	10.80
2011 Estimate	19,061	7.20
2010 Census	17,781	10.27

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

Construction Activity

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
New Dwelling Units	494	800	357	273	353
New Residential Value (\$000)	99,777.0	152,348.7	77,711.6	52,377.1	56,109.3
New Nonresidential Value (\$000)	24,427.3	26,701.0	17,673.4	2,581.1	5,281.0
Additions/Alterations/Repairs Residential Value (\$000)	3,266.4	4,332.7	6,015.2	2,973.5	1,672.5
Additions/Alterations/Repairs Nonresidential Value (\$000)	<u>1,786.0</u>	<u>661.0</u>	<u>1,578.0</u>	<u>444.7</u>	<u>2,077.0</u>
Total Construction (\$000)	129,256.7	184,043.4	102,978.2	58,376.4	65,139.8

(Source: Ivory-Boyer Construction Database, Kem C. Gardner Policy Institute, University of Utah.)

UTAH COUNTY

General

Utah County (the “County”) is situated in the north central portion of the State. Incorporated in 1850, the County is bordered on the north by Salt Lake County and encompasses approximately 2,000 square miles of land.

Population

<u>Year</u>	<u>County</u>	<u>% Change</u>	<u>State of Utah</u>	<u>% Change</u>
2017	606,245	2.7%	3,101,833	1.9%
2016	590,475	3.0	3,044,321	2.0
2015	573,038	2.2	2,984,917	1.6
2014	560,909	1.7	2,938,671	1.3
2013	551,633	2.2	2,899,961	1.6
2012	539,776	1.7	2,854,222	1.4
2011	530,860	2.8	2,815,430	1.9
2010 Census	516,564	40.2	2,763,885	23.8
2000 Census	368,536	39.8	2,233,169	29.6
1990 Census	263,590	20.9	1,722,850	17.9

(Source: U.S. Census Bureau (estimates as of July 1 for years 2011-2017).)

Rate of Unemployment—Annual Average

<u>Year</u>	<u>County</u>	<u>State of Utah</u>	<u>United States</u>
2017*	2.7%*	3.2%*	4.1%*
2016	3.0	3.4	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
2011	6.3	6.8	8.9
2010	7.4	7.8	9.6
2009	7.0	7.3	9.3
2008	3.5	3.6	5.8
2007	2.4	2.6	4.6

* As of December 2017 only; seasonally adjusted.

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

Economic Indicators of the County

<u>LABOR FORCE</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Labor Force	279,346	266,078	255,870	249,399	239,088
Employed	270,835	257,594	246,942	238,806	227,084
Unemployed	8,511	8,484	8,928	10,593	12,004
Rate	3.00%	3.20%	3.50%	4.20%	5.00%
Average Employment	232,925	220,930	207,867	199,368	189,329
% Change Prior Year	5.43	6.28	4.26	5.30	—
<i>Average Employment by Sector:</i>					
Agriculture, Forestry, Fishing & Hunting	1,209	1,166	1,159	1,143	1,155
Mining	72	88	111	103	126
Utilities	682	604	598	579	594
Construction	21,255	18,689	16,422	14,887	12,562
Manufacturing	17,611	17,646	17,773	17,476	16,540
Wholesale Trade	6,408	6,716	6,222	5,611	5,206
Retail Trade	29,911	28,137	25,441	24,313	23,172
Transportation and Warehousing	4,529	4,283	3,993	3,837	3,814
Information	11,180	10,209	9,348	8,884	8,144
Finance and Insurance	5,010	4,881	4,509	4,571	4,306
Real Estate, Rental and Leasing	2,618	2,356	2,306	2,254	2,028
Professional, Scientific and Technical Services	17,335	16,476	15,284	13,916	12,706
Management of Companies and Enterprises	1,409	1,191	1,239	1,059	1,128
Admin., Support, Waste Mgmt, Remediation	13,323	12,388	11,242	11,096	11,004
Education Services	41,561	40,049	39,137	38,767	38,443
Health Care and Social Assistance	27,543	26,292	24,934	24,137	22,795
Arts, Entertainment, and Recreation	4,460	4,249	3,883	3,544	3,516
Accommodation and Food Services	16,770	15,799	14,793	13,934	12,978
Other Services	5,215	4,979	4,774	4,626	4,428
Public Administration	6,031	5,889	5,850	5,769	5,831
Unclassified Establishments	6	—	—	8	—
Total Establishments	14,929	14,276	13,663	13,221	12,476
Total Wages (\$Millions)	\$9,404.8	\$8,702.6	\$7,874.3	\$7,464.4	\$6,922.2
<u>INCOME AND WAGES</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Personal Income (\$000)	\$21,540,346	\$20,000,678	\$18,270,108	\$16,822,234	\$15,985,403
Median Household Income	n/a	65,425	60,957	60,069	58,167
Per Capita Income	36,215	34,796	32,554	30,454	29,593
Average Monthly Nonfarm Wage	3,365	3,283	3,157	3,099	2,345
<u>SALES AND BUILDING</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Gross Taxable Sales (\$M)	\$8,679.1	\$8,151.1	\$7,555.1	\$7,186.9	\$6,886.1
Dwelling Unit Permits	3,988	4,476	5,208	3,247	2,464
Total Permit					
Authorized Construction (\$M)	2,091,570.7	1,923,746.4	1,438,103.1	1,265,068.7	835,662.1
New Residential Const. (\$M)	968,083.0	1,242,972.3	909,842.7	692,579.8	535,004.3
New Nonresidential Const. (\$M)	901,707.9	451,452.0	359,438.5	360,620.5	171,904.0

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

Major Employers

The following is a list of the largest employers in the County based on 2016 annual averages.

<u>Company</u>	<u>Industry</u>	<u>Average Annual Employment</u>
Brigham Young University	Colleges, Universities, and Professional Schools	15,000-19,999
Alpine School District	Elementary and Secondary Schools	7,000-9,999
Utah Valley University	Colleges, Universities, and Professional Schools	5,000-6,999
Utah Valley Regional Medical Center	General Medical and Surgical Hospitals	5,000-6,999
Vivint	Building Equipment Contractors	3,000-3,999
Nebo School District	Elementary and Secondary Schools	3,000-3,999
Wal-Mart	Other General Merchandise Stores	2,000-2,999
State of Utah	Justice, Public Order, and Safety Activities	2,000-2,999
Smith's Food And Drug	Grocery Stores	1,000-1,999
Central Utah Medical Clinic	Offices of Physicians	1,000-1,999
Nestle Prepared Foods Company	Fruit & Vegetable Preserving & Specialty Food Manufacturing	1,000-1,999
Adobe Systems	Software Publishers	1,000-1,999
Young Living Essential Oils	Direct Selling Establishments	1,000-1,999
Nexeo Staffing	Employment Services	1,000-1,999
IM Flash Technologies	Semiconductor & Other Electronic Component Manufacturing	1,000-1,999
Doterra International	Direct Selling Establishments	1,000-1,999
Provo City	Executive, Legislative, and Other General Government Support	1,000-1,999
Utah County	Administration of Economic Program	1,000-1,999
Provo City School District	Elementary and Secondary Schools	1,000-1,999
Maceys	Grocery Stores	500-999
UHS Of Provo Canyon	Elementary and Secondary Schools	500-999
Costco	Other General Merchandise Stores	500-999
Ancestry.Com	Other Information Services	500-999
Nu Skin International	Drugs and Druggists' Sundries Merchant Wholesalers	500-999
Xactware Solutions	Computer Systems Design and Related Services	500-999
Sundance Resort	Traveler Accommodation	500-999
The Home Depot	Building Material and Supplies Dealers	500-999
Citizens Telecommunications	Wired Telecommunications Carriers	500-999
Domo	Software Publishers	500-999
Chrysalis Utah	Individual and Family Services	500-999
Nu Skin	Drugs and Druggists' Sundries Merchant Wholesalers	500-999
Solutionreach	Computer Systems Design and Related Services	500-999
Timpanogos Regional Medical Service	General Medical and Surgical Hospitals	500-999
Entrata	Data Processing, Hosting, and Related Services	500-999
Ash Construction	Foundation, Structure, and Building Exterior Contractors	500-999
Mirage Landscaping	Services to Buildings and Dwellings	500-999
Press Media	Printing and Related Support Activities	500-999
Cedar Fort	Newspaper, Periodical, Book, and Directory Publishers	500-999
SOS Staffing Services	Employment Services	500-999
Vivint Solar	Building Equipment Contractors	500-999
Magnum Manufacturing Corp	Cement and Concrete Product Manufacturing	500-999
Bluehost.Com	Data Processing, Hosting, and Related Services	500-999
Qualtrics	Other Professional, Scientific, and Technical Services	500-999
U.S. Postal Service	Postal Service	500-999
Lehi City	Executive, Legislative, and Other General Government Support	500-999
Orem City	Executive, Legislative, and Other General Government Support	500-999

(Source: Utah Department of Workforce Services; based on 2016 average annual employment; last updated August 2017.)

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by the City of Saratoga Springs, Utah (the “City”), in connection with the issuance by the City of its \$9,970,000 Sewer Revenue Bonds, Series 2018 (the “Series 2018 Bonds”). The Series 2018 Bonds are being issued pursuant to a resolution of the City adopted on March 20, 2018 and pursuant to a General Indenture of Trust dated May 1, 2018 (the “General Indenture”), as supplemented by a First Supplemental Indenture of Trust dated as of May 1, 2018 (the “First Supplemental Indenture” and together with the General Indenture, the “Indenture”), each between the City and ZB, National Association, dba Zions Bank, as trustee.

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

The City hereby acknowledges that it is an “obligated person” within the meaning of the hereinafter defined rule and the only “obligated person” with respect to the Series 2018 Bonds.

Section 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the City for the benefit of the Bondholders and Beneficial Owners of the Series 2018 Bonds and in order to assist the Participating Underwriter in complying with the Rule (each as defined below).

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

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

“Beneficial Owner” shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2018 Bonds (including persons holding Series 2018 Bonds through nominees, depositories or other intermediaries).

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

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

“MSRB” shall mean the Municipal Securities Rulemaking Board, the address of which is 1300 I Street, NW, Suite 1000, Washington DC 20005-3314; Telephone (202) 838-1500; Fax (202) 898-1500, and the website address of which is www.msrb.org and www.emma.msrb.org (for municipal disclosures and market data).

“Official Statement” shall mean the Official Statement of the City dated May 17, 2018, relating to the Series 2018 Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2018 Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall prepare an Annual Report of the City and shall, or shall cause the Dissemination Agent to, not later than January 31 following the end of each fiscal year of the City (presently June 30), commencing with the fiscal year ending June 30, 2018, provide to the MSRB in an electronic format, the Annual Report of the City

which is consistent with the requirements of Section 4 of this Disclosure Undertaking. Not later than fifteen (15) business days prior to said date, the City shall provide the Annual Report of the City to the Dissemination Agent (if the City is not the Dissemination Agent). In each case, the Annual Report of the City may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Undertaking; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for Listed Event under Section 5(e).

(b) If by fifteen (15) business days prior to the date specified in Section 3(a) for providing the Annual Report of the City to the MSRB, the Dissemination Agent has not received a copy of the Annual Report of the City, the Dissemination Agent shall contact the City to determine if the City is in compliance with Section 3(a)

(c) *If the Dissemination Agent is unable to verify that the Annual Report of the City has been provided to the MSRB by the dates required in Section 3(a), the Dissemination Agent shall, in a timely manner, send a notice of a failure to file the Annual Report to the MSRB in an electronic format.*

(d) The Dissemination Agent shall:

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

(ii) if the Dissemination Agent is other than an officer of the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided and listing the website address to which it was provided.

Section 4. Content of Annual Reports. The Annual Report of the City shall contain or incorporate by reference the following:

(a) A copy of its annual financial statements prepared in accordance with generally accepted accounting principles and audited by a certified public accountant or a firm of certified public accounts. If the City's audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report of the City and audited financial statements will be provided within 30 days after availability to the City.

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

- (i) "THE SYSTEM—Major Users,"
- (ii) "—System Connections,"
- (iii) "—Rates and Charges,"
- (iv) "—Pro Forma Net Income Debt Service Coverage"
(historical information only); and
- (v) "—Five-Year Financial Summaries of the System."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City, as appropriate or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City, as appropriate, shall clearly identify each such other document so incorporated by the reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(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 2018 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 2018 Bonds or other material events affecting the tax status of the Series 2018 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 2018 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 2018 Bonds;
- (v) Series 2018 Bond calls; or
- (vi) Release, substitution or sale of property securing repayment of the Series 2018 Bonds.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event under Section 5(b), whether because of a notice from the Trustee or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City has determined that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If the City determines that the Listed Event under Section 5(b) would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB in an electronic format in a timely manner not more than ten (10) business days after the Listed Event.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2018 Bonds. If such termination occurs prior to the final maturity of the Series 2018 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. The initial Dissemination Agent shall be the City.

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 2018 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 2018 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2018 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2018 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the City shall describe such amendment in the next Annual Report of the City, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City, as applicable. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the City chooses to include any information in any Annual Disclosure Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Undertaking, any Bondholder or Beneficial Owner of the Series 2018 Bonds may

take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an “event of default” under the Indenture, and the sole remedy under this Disclosure Undertaking in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 11. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Undertaking, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney’s fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s gross negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2018 Bonds.

Section 12. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Series 2018 Bonds, and shall create no rights in any other person or entity.

Dated: _____.

(SEAL)

By: _____
Mayor

ATTEST:

By: _____
City Recorder

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon the issuance of the Series 2018 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 for Saratoga Springs City, Utah (the “Issuer”) in connection with the issuance by the Issuer of its \$9,970,000 Sewer Revenue Bonds, Series 2018 (the “Series 2018 Bonds”). The Series 2018 Bonds are being issued pursuant to (i) the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the “Act”); (ii) a General Indenture of Trust dated May 1, 2018 (the “General Indenture”), as supplemented by a First Supplemental Indenture of Trust dated as of May 1, 2018 (the “First Supplemental Indenture” and together with the General Indenture, the “Indenture”), each between the Issuer and ZB, National Association, dba Zions Bank, as trustee; (iii) a resolution of the City adopted on March 20, 2018, which provides for the issuance of the Series 2018 Bonds; and (iv) other applicable provisions of law.

The Series 2018 Bonds are being issued for the purpose of (i) financing the acquisition and construction of improvements to the Issuer’s sewer utility system and (ii) paying costs of issuance of the Series 2018 Bonds.

Our services as bond counsel have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the Series 2018 Bonds under the applicable laws of the State of Utah and to a review of the transcript of such proceedings and certificates. As to questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

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

1. The Indenture has been authorized, executed and delivered by the Issuer, constitutes a valid and binding obligation of the Issuer, and creates a valid lien on the Net Revenues (as defined in the Indenture) and the other amounts pledged thereunder for the security of the Series 2018 Bonds.

2. The Series 2018 Bonds are valid and binding special obligations of the Issuer payable solely from the Net Revenues (as defined in the Indenture) and other amounts pledged therefor in the Indenture, and the Series 2018 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 2018 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 computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Series 2018 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 2018 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2018 Bonds.

4. The Series 2018 Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

5. The interest on the Series 2018 Bonds is exempt from State of Utah individual income taxes.

We express no opinion herein regarding the accuracy, completeness or sufficiency of the Official Statement or any other offering material relating to the Series 2018 Bonds.

The rights of the holders of the Series 2018 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 F

PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Series 2018 Bonds. The Series 2018 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2018 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or its agent.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2018 Bonds, except in the event that use of the book-entry system for the Series 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2018 Bonds may wish to ascertain

that the nominee holding the Series 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Series 2018 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018 Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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