

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 interest on the 2020 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that the interest on the 2020 Bonds is exempt from State of Utah individual income taxes. See “TAX MATTERS” herein.



Spanish Fork City, Utah

\$10,685,000 Water Revenue Bonds, Series 2020

The \$10,685,000 Water Revenue Bonds, Series 2020 are issued by Spanish Fork City, Utah as fully-registered bonds and, when initially issued, will be in book-entry form, registered in the name of Cede & Co., as nominee for DTC. DTC will act as securities depository for the 2020 Bonds.

Principal of and interest on the 2020 Bonds (interest payable June 1 and December 1 of each year, commencing June 1, 2021) are payable by Zions Bancorporation, Corporate Trust Department, Salt Lake City, Utah, as Paying Agent, to the registered owners thereof, initially DTC. See “THE 2020 BONDS—Book-Entry System” herein.

The 2020 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See “THE 2020 BONDS—Redemption Provisions” herein.

The 2020 Bonds are being issued to fund certain improvements to the City’s Water System and for the payment of costs associated with the issuance of the 2020 Bonds. See “THE 2020 BONDS—Estimated Sources And Uses Of Funds” and “THE 2020 PROJECT” herein. The 2020 Bonds will be equally and ratably secured under the Indenture.

The 2020 Bonds are limited obligations of the City, payable solely from Net Revenues of the Water System, as described herein. Neither the credit nor the taxing power of the City or the State of Utah or any agency, instrumentality or political subdivision thereof is pledged for the payment of the principal of or interest on the 2020 Bonds. The 2020 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 2020 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 2020 Bonds. The City will not mortgage or grant a security interest in the Water System or any portion thereof to secure the payment of the Series 2020 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2020 BONDS” herein.

Dated: Date of Delivery¹

Due: June 1, as shown on inside front cover

See the inside front cover for the maturity schedule of the 2020 Bonds

The 2020 Bonds were awarded pursuant to competitive bidding received by means of the *PARITY*® electronic bid submission system on October 22, 2020 as set forth in the OFFICIAL NOTICE OF BOND SALE (dated the date of the PRELIMINARY OFFICIAL STATEMENT) to Robert W. Baird & Co., Inc., Red Bank, New Jersey at a “true interest rate” of 1.62%.

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

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

This OFFICIAL STATEMENT is dated October 22, 2020, and the information contained herein speaks only as of that date.

¹ The anticipated date of delivery is Thursday, November 5, 2020.

Spanish Fork City, Utah

\$10,685,000

Water Revenue Bonds, Series 2020

Dated: Date of Delivery¹

Due: June 1, as shown below

\$9,020,000 Serial Bonds

Due June 1	CUSIP® 846467	Principal Amount	Interest Rate	Yield
2023.....	DP0	\$515,000	5.00%	0.35%
2024.....	DQ8	540,000	5.00	0.40
2025.....	DR6	570,000	5.00	0.45
2026.....	DS4	600,000	5.00	0.60
2027.....	DT2	625,000	5.00	0.70
2028.....	DU9	660,000	5.00	0.90
2029.....	DV7	690,000	5.00	1.00
2030.....	DW5	725,000	5.00	1.10
2031.....	DX3	765,000	3.00	1.30 ^c
2032.....	DY1	785,000	3.00	1.50 ^c
2033.....	DZ8	810,000	2.00	1.75 ^c
2036.....	EC8	860,000	2.00	2.05
2037.....	ED6	875,000	2.00	2.10

\$1,665,000 2.00% Term Bond due June 1, 2035—Price 100% (CUSIP®846467 EB0)

¹ The anticipated date of delivery is Thursday, November 5, 2020.

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^c Priced to par call on June 1, 2030.

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This OFFICIAL STATEMENT does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of, the 2020 Bonds (as defined herein), by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other informational representations must not be relied upon as having been authorized by either Spanish Fork City, Utah (the “City”); Zions Bancorporation, Corporate Trust Department, Salt Lake City, Utah (as Trustee, Bond Registrar and Paying Agent); Zions Public Finance, Inc., Salt Lake City, Utah (as Municipal Advisor); the successful bidder(s); or any other entity. All other information contained herein has been obtained from the City, The Depository Trust Company, New York, New York and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor the issuance, sale, delivery or exchange of the 2020 Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the City since the date hereof.

The 2020 Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such act and laws. Any registration or qualification of the 2020 Bonds in accordance with applicable provisions of the securities laws of the states in which the 2020 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is unlawful.

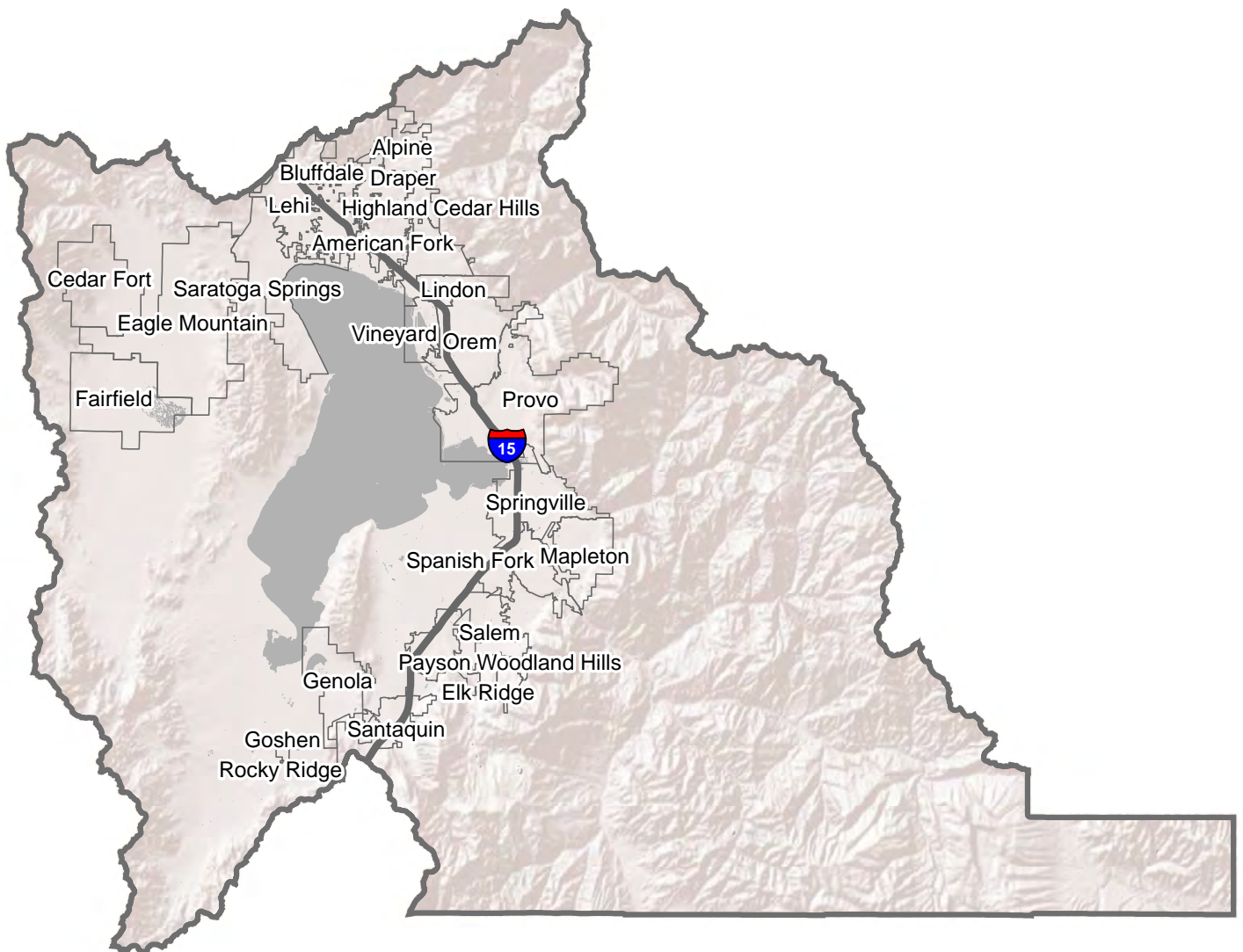
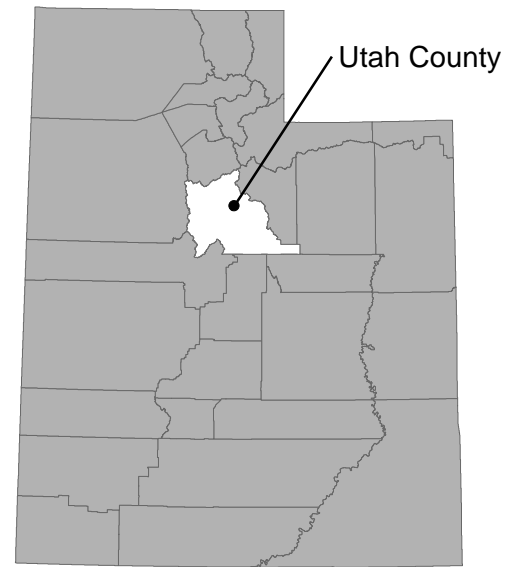
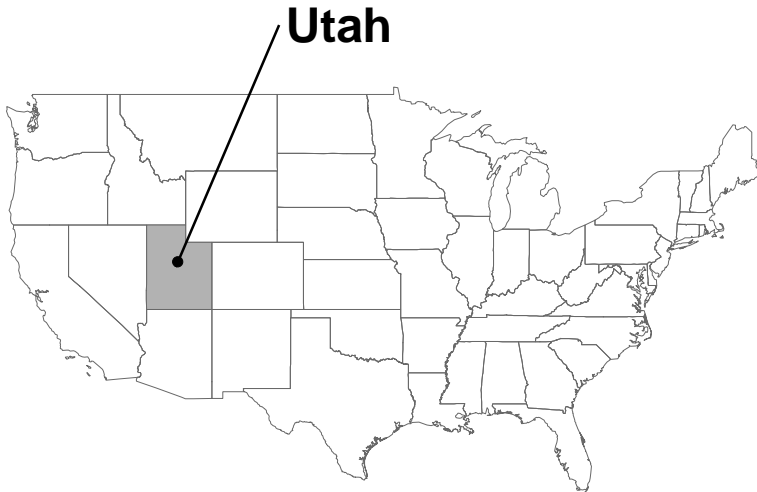
The yields/prices at which the 2020 Bonds are offered to the public may vary from the initial reoffering yields/prices on the inside cover page of this OFFICIAL STATEMENT. In addition, the successful bidder(s) may allow concessions or discounts from the initial offering prices of the 2020 Bonds to dealers and others. In connection with the offering of the 2020 Bonds, the successful bidder(s) may engage in transactions that stabilize, maintain, or otherwise affect the price of the 2020 Bonds. Such transactions may include overallotments in connection with the purchase of 2020 Bonds, the purchase of 2020 Bonds to stabilize their market price and the purchase of 2020 Bonds to cover the successful bidders’ short positions. Such transactions, if commenced, may be discontinued at any time.

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

The CUSIP® (the Committee on Uniform Securities Identification Procedures) identification numbers are provided on the inside cover page of this OFFICIAL STATEMENT and are being provided solely for the convenience of bondholders only, and the City makes no representation with respect to such numbers or undertakes any responsibility for their accuracy. The CUSIP® numbers are subject to being changed after the issuance of the 2020 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2020 Bonds.

The content from websites referenced in this OFFICIAL STATEMENT has not been reviewed for accuracy and completeness. Such information has not been provided in connection with the offering of the 2020 Bonds and is not a part of this OFFICIAL STATEMENT

Counties in Utah



Cities in Utah County

OFFICIAL STATEMENT RELATED TO

\$10,685,000

Spanish Fork City, Utah

Water Revenue Bonds, Series 2020

INTRODUCTION

This introduction is only a brief description of the 2020 Bonds, as hereinafter defined, the security and source of payment for the 2020 Bonds and certain information regarding Spanish Fork City, Utah (the “City”). The information contained herein is expressly qualified by reference to the entire OFFICIAL STATEMENT. Investors are urged to make a full review of the entire OFFICIAL STATEMENT as well as the documents summarized or described herein.

See the following appendices that are attached hereto and incorporated herein by reference: “APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2019;” “APPENDIX B—AMENDED AND RESTATED GENERAL INDENTURE OF TRUST;” “APPENDIX C—FORM OF OPINION OF BOND COUNSEL;” “APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING;” AND “APPENDIX E—BOOK-ENTRY SYSTEM

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

Public Sale/Electronic Bid

The 2020 Bonds were awarded pursuant to competitive bidding received by means of the **PARITY**® electronic bid submission system on October 22, 2020, as set forth in the OFFICIAL NOTICE OF BOND SALE (dated the date of the PRELIMINARY OFFICIAL STATEMENT) to Robert W. Baird & Co., Inc., Red Bank, New Jersey at a true interest rate of 1.62%

Spanish Fork City, Utah

The City, incorporated in 1855, covers an area of approximately 14.3 square miles and is located in the southern portion of Utah County, Utah (the “County”). The City is located approximately eight miles south of Provo City, Utah. The City had 40,913 residents according to the 2019 estimate by the U.S. Census Bureau. The County is situated in the north central portion of the State of Utah (the “State”). Incorporated in 1850, the County is bordered on the north by Salt Lake County, Utah and encompasses approximately 2,000 square miles of land. The County had 636,235 residents in 2019 according to the estimates by the U.S. Census Bureau, ranking the County as the second largest populated county in the State. See “SPANISH FORK CITY, UTAH” below.

The 2020 Bonds

This OFFICIAL STATEMENT, including the cover page, introduction and appendices, provides information in connection with the issuance and sale by the City of its \$10,685,000 Water Revenue Bonds, Series 2020 (the “2020 Bonds or “2020 Bond”), initially issued in book-entry form.

Authorization And Purpose Of The 2020 Bonds

Authorization. The 2020 Bonds are being issued under the Indenture pursuant to the Local Government Bonding Act, Chapter 14 of Title 11, Utah Code Annotated 1953, as amended (the “Utah Code”), and a General Indenture of Trust, dated as of October 1, 1998 (the “Original Indenture”) between the City and Zions Bancorporation, Corporate Trust Department,

Salt Lake City, Utah (“Zions Bancorporation”), as trustee (the “Trustee”), as further supplemented by a Sixth Supplemental Indenture of Trust, dated as of November 1, 2020, between the City and the Trustee (the “Sixth Supplemental Indenture”) providing for the issuance of the 2020 Bonds. In conjunction with the issuance of the 2020 Bonds, bondholders approve the Amended and Restated General Indenture, dated as of November 1, 2020 (the “General Indenture”). The General Indenture, together with all amendments or supplements thereto, including without limitation the Sixth Supplemental Indenture, is sometimes referred to collectively herein, as the “Indenture.”

Purpose. The 2020 Bonds are being issued to (i) finance the construction of additions and improvements to the City’s water facilities (the “Water System”) and all related improvements (the “2020 Project”) and (ii) pay costs associated with the issuance of the 2020 Bonds. See “THE 2020 BONDS—Estimated Sources And Uses Of Funds” and “THE 2020 PROJECT” below.

Outstanding Parity Bonds. The 2020 Bonds and the Outstanding Parity Bonds previously issued by the City will be equally and ratably secured under the Indenture. The following bonds are currently outstanding under the Indenture:

- (i) \$2,040,000, Water Revenue Bonds, Series 2011, currently outstanding in the aggregate principal amount of \$1,313,000 (the “2011 Bonds”); and
- (ii) \$4,041,000, Water Revenue Bonds, Series 2012, currently outstanding in the aggregate principal amount of \$1,575,000 (the “2012 Bonds”).

The 2011 Bonds and the 2012 Bonds, are referred to herein as, the “Outstanding Parity Bonds.” The outstanding aggregate principal amount of the Outstanding Parity Bonds as of the closing and delivery of the 2020 Bonds will be \$2,888,000.

Rate Covenant

The City covenants and agrees in the Indenture to establish, fix, prescribe and collect rates, charges and fees for the sale or use of Water System services furnished by the City that are reasonably expected to yield Net Revenues at least equal to the Rate Covenant Requirement (defined below) for the forthcoming Fiscal Year. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2020 BONDS—Rate Covenant” herein.

Security For The 2020 Bonds; Additional Bonds

Security for the 2020 Bonds. The 2020 Bonds are special, limited obligations of the City, payable from and secured solely by a pledge and assignment of the Net Revenues of the Water System. Revenues of the Water System are applied to pay the Water System’s Operation and Maintenance Expenses before being applied to pay principal of and interest on the 2020 Bonds.

The 2020 Bonds are not a general obligation of the City, the State of Utah or any agency, instrumentality or political subdivision thereof. Neither the full faith and credit nor the taxing authority of the City, the State of Utah or any agency, instrumentality or political subdivision thereof will be assigned or pledged for payment of the 2020 Bonds. The City will not mortgage or grant a security interest in the Water System to secure payment of the 2020 Bonds.

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

See “SECURITY AND SOURCES OF PAYMENT FOR THE 2020 BONDS” below.

Redemption Provisions

The 2020 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See “THE 2020 BONDS—Redemption Provisions” below.

Registration, Denominations, Manner Of Payment

The 2020 Bonds are issuable only as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, (“DTC”). DTC will act as securities depository of the 2020 Bonds. Purchases of 2020 Bonds will be made in book-entry form only, in the principal amount of

\$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC's Participants (as defined herein). Beneficial Owners (as defined herein) of the 2020 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 2020 Bonds. "Direct Participants," "Indirect Participants" and "Beneficial Owners" are defined under "APPENDIX E—BOOK-ENTRY SYSTEM."

Principal of and interest on the 2020 Bonds (interest payable June 1 and December 1 of each year, commencing June 1, 2021) are payable by Zions Bancorporation, Corporate Trust Department, Salt Lake City, Utah, as Paying Agent for the 2020 Bonds, to the registered owners of the 2020 Bonds. So long as Cede & Co. is the sole registered owner, it will, in turn, remit such principal and interest to its Direct Participants, for subsequent disbursements to the Beneficial Owners of the 2020 Bonds, as described under "APPENDIX E—BOOK-ENTRY SYSTEM."

So long as DTC or its nominee is the sole registered owner of the 2020 Bonds, neither the City nor the Trustee will have any responsibility or obligation to any Direct or Indirect Participants of DTC, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, Indirect Participants or the Beneficial Owners of the 2020 Bonds. Under these same circumstances, references herein and in the Indenture to the "Bondowners" or "Registered Owners" of the 2020 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2020 Bonds.

Tax-Exempt Status Of The 2020 Bonds

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the 2020 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that the interest on the 2020 Bonds is exempt from State of Utah individual income taxes. See "TAX MATTERS" below. 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 2020 Bonds.

Professional Services

In connection with the issuance of the 2020 Bonds, the following have served the City in the capacity indicated.

Bond Counsel and Disclosure Counsel

Gilmore & Bell PC
15 W S Temple Ste 1450
Salt Lake City UT 84101
801.364.5080 | f 801.364.5032
rlarsen@gilmorebell.com

Trustee, Bond Registrar, and Paying Agent

Zions Bancorporation
Corporate Trust Department
One S Main Street 12th Fl
Salt Lake City UT 84101
801.844.7517 | f 855.547.5428
carrie.sandoval@zionsbancorp.com

Municipal Advisor

Zions Public Finance Inc
One S Main St 18th Fl
Salt Lake City UT 84133-1109
801.844.7379 | f 801.844.4484
johnathan.ward@zionsbancorp.com

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

The 2020 Bonds are offered, subject to prior sale, when, as and if issued and received by the successful bidder(s), subject to the approval of legality by Gilmore & Bell P.C., Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed on for the City by the City Attorney, Vaughn Pickell. Certain matters regarding this OFFICIAL STATEMENT will be passed on for the City by Gilmore & Bell P.C., Disclosure Counsel to the City. It is expected that the 2020 Bonds, in book-entry form, will be available for delivery to DTC or its agent on or about Thursday, November 5, 2020.

Continuing Disclosure Undertaking

The City will enter into a continuing disclosure undertaking for the benefit of the Beneficial Owners of the 2020 Bonds. For a detailed discussion of this undertaking, previous undertakings and timing of submissions see “CONTINUING DISCLOSURE UNDERTAKING” below and “APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

Basic Documentation

This OFFICIAL STATEMENT speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the City and the 2020 Bonds are included in this OFFICIAL STATEMENT. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture and the 2020 Bonds are qualified in their entirety by reference to each such document.

Descriptions of the Indenture and the 2020 Bonds are qualified by reference to bankruptcy and other laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity having jurisdiction. Other documentation authorizing the issuance of the 2020 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.

See “APPENDIX B—AMENDED AND RESTATED GENERAL INDENTURE OF TRUST.”

Contact Persons

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

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

Zions Public Finance, Inc.
One S Main St 18th Fl
Salt Lake City UT 84133-1109
801.844.7373 | f 801.844.4484

As of the date of this OFFICIAL STATEMENT, the chief contact persons for the City concerning the 2020 Bonds are:

Seth Perrins, City Manager, sperrins@spanishfork.org
Kent Clark, Finance Director, kent@spanishfork.org

Spanish Fork City
40 S Main St
Spanish Fork, UT 84660
801.804.4500

CONTINUING DISCLOSURE UNDERTAKING

Continuing Disclosure Undertaking For 2020 Bonds

The City will enter into a Continuing Disclosure Undertaking (the “Disclosure Undertaking”) for the benefit of the Beneficial Owners of the 2020 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system (“EMMA”) pursuant to the requirements of paragraph (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Disclosure Undertaking, including termination, amendment and remedies, are set forth in the form of Disclosure Undertaking in “APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

Based on prior disclosure undertakings the City submits its annual financial report (Fiscal Year Ending June 30) and other operating and financial information on or before February 5 of each year (not more than 220 days from the end of the Fis-

cal Year). The City will submit the Fiscal Year 2020 annual financial report and other required operating and financial information for the 2020 Bonds on or before February 5, 2021 and annually thereafter on or before each February 5.

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

A failure by the City to comply with the Disclosure Undertaking will not constitute a default under the Indenture and the Beneficial Owners of the 2020 Bonds are limited to the remedies described in the Disclosure Undertaking. A failure by the City to comply with the annual disclosure requirements of the Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2020 Bonds in the secondary market. Consequently, such a failure may adversely affect the marketability and liquidity of the 2020 Bonds and their market price.

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

THE 2020 BONDS

General

The 2020 Bonds are dated the date of delivery¹ thereof (the “Dated Date”) and will mature on June 1 of the years and in the amounts as set forth on the inside cover page of this OFFICIAL STATEMENT.

The 2020 Bonds shall bear interest from the Dated Date at the rates set forth on the inside cover page of this OFFICIAL STATEMENT. Interest on the 2020 Bonds is payable semi-annually on each June 1 and December 1, commencing June 1, 2021. Interest on the 2020 Bonds shall be computed on the basis of a 360-day year comprised of 12, 30-day months. Zions Bancorporation, Corporate Trust Department, Salt Lake City, Utah, is the Bond Registrar, Paying Agent and Trustee with respect to the 2020 Bonds (in such respective capacities, the “Bond Registrar,” “Paying Agent” and “Trustee”).

The 2020 Bonds will be issued as fully-registered bonds, initially in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, not exceeding the amount of each maturity.

Estimated Sources And Uses Of Funds

The proceeds from the sale of the 2020 Bonds are estimated to be applied as set forth below:

Sources:

Par amount of 2020 Bonds.....	\$10,685,000.00
Original issue premium.....	<u>1,502,415.65</u>
Total	<u>\$12,187,415.65</u>

Uses:

Deposit into Construction Account.....	\$12,000,000.00
Costs of issuance (1).....	99,664.59
Underwriter’s discount (successful bidder)	69,825.81
Original issue discount.....	<u>17,925.25</u>
Total	<u>\$12,187,415.65</u>

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

(Source: Municipal Advisor.)

¹ The anticipated date of delivery is Thursday, November 5, 2020.

Redemption Provisions

Optional Redemption. The 2020 Bonds maturing on or prior to June 1, 2030 are not subject to redemption prior to maturity. The 2020 Bonds maturing on or after June 1, 2031, are subject to redemption at the option of the City on June 1, 2030, 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 2020 Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption of the 2020 Bonds. The 2020 Bonds maturing on June 1, 2035 are subject to mandatory sinking fund redemption at a price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, on the dates and in the principal amounts as follows:

<u>Mandatory Sinking Fund Redemption Date</u>	<u>Sinking Fund Requirements</u>
June 1, 2034	\$ 825,000
June 1, 2035 (final maturity).....	<u>840,000</u>
Total	<u>\$1,665,000</u>

Upon redemption of any 2020 Bonds maturing on June 1, 2035, other than by application of such mandatory sinking fund redemption, an amount equal to the principal amount so redeemed will be credited toward a part or all of any one or more of such mandatory sinking fund redemption amounts for the 2020 Bonds maturing on June 1, 2035, in such order of mandatory sinking fund date as shall be directed by the City.

Selection for Redemption. If less than all Bonds of a Series are to be redeemed, the maturities and principal amounts of such Bonds to be redeemed shall be selected by the City. If less than all 2020 Bonds of any maturity are to be redeemed, the particular 2020 Bonds or portion of 2020 Bonds of such maturity to be redeemed will be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate. The portion of any registered 2020 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 2020 Bonds for redemption, the Bond Registrar will treat each such 2020 Bond as representing that number of 2020 Bonds of \$5,000 denomination that is obtained by dividing the principal amount of such 2020 Bond by \$5,000.

Notice of Redemption. Notice of redemption will be given by the Bond Registrar by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, to the owner, as of the Record Date, as defined under “THE 2020 BONDS—Registration And Transfer; Record Date” below, of each 2020 Bond that is subject to redemption, at the address of such owner as it appears on the registration books of the City kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such owner on or prior to the Record Date. Each notice of redemption will state the Record Date, the principal amount, the redemption date, the place of redemption, the redemption price and, if less than all of the 2020 Bonds are to be redeemed, the distinctive numbers of the 2020 Bonds or portions of 2020 Bonds to be redeemed, and will also state that the interest on the 2020 Bonds in such notice designated for redemption will cease to accrue from and after such redemption date and that on the redemption date there will become due and payable on each of the 2020 Bonds to be redeemed the principal thereof and interest accrued thereon to the redemption date.

Each notice of optional redemption may further state that such redemption will be conditioned upon the receipt by the Paying Agent, on or prior to the date fixed for redemption, of moneys sufficient to pay the principal of and premium, if any, and interest on such 2020 Bonds to be redeemed and that if such moneys have not been so received the notice will be of no force or effect and the City will not be required to redeem such 2020 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Bond Registrar will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. A second notice of redemption shall be given, not later than 90 days subsequent to the redemption date; to Registered Owners of Bonds or portions thereof redeemed but who failed to deliver Bonds for redemption prior to the 60th day following such redemption date. Any such notice mailed will be conclusively presumed to have been duly given, whether or not the Bond owner receives such notice. Failure to give such notice or any defect therein with respect to any 2020 Bond will not affect the validity of the proceedings for redemption with respect to any other 2020 Bond.

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

For so long as a book–entry system is in effect with respect to the 2020 Bonds, the Bond Registrar will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any Direct Participants or any failure of the Direct Participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the sufficiency of the notice or the validity of the redemption of 2020 Bonds. See “THE 2020 BONDS—Book–Entry System” below.

Registration And Transfer; Record Date

Registration and Transfer. In the event the book–entry only system is discontinued, any 2020 Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by such owner’s duly authorized attorney, upon surrender of such 2020 Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Bond Registrar. No transfer will be effective until entered on the registration books kept by the Bond Registrar. Whenever any 2020 Bond is surrendered for transfer, the Bond Registrar shall authenticate and deliver a new fully registered 2020 Bond or 2020 Bonds of the same series, designation, maturity and interest rate and of authorized denominations duly executed by the City, for a like aggregate principal amount.

The 2020 Bonds may be exchanged at the principal corporate office of the Bond Registrar for a like aggregate principal amount of fully registered 2020 Bonds of the same series, designation, maturity and interest rate of other authorized denominations.

For every such exchange or transfer of the 2020 Bonds, the Bond Registrar must make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer of the 2020 Bonds.

Record Date. Except as otherwise provided in a Supplemental Indenture with respect to a Series of Bonds, the City and the Trustee shall not be required to transfer or exchange any 2020 Bond (i) during the period from and including any Regular Record Date, defined as the fifteenth day of the month immediately preceding each Interest Payment Date, to and including the next succeeding Interest Payment Date (ii) during the period from and including the day fifteen days prior to any Special Record Date, defined as such date as may be fixed for the payment of defaulted interest on the 2020 Bonds, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The City, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each 2020 Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner of such 2020 Bond for the purpose of payment of principal, premium and interest with respect to such 2020 Bond and for all other purposes whatsoever.

Book–Entry System

DTC will act as securities depository for the 2020 Bonds. The 2020 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 2020 Bond certificate will be issued for each maturity of the 2020 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or a “fast agent” of DTC. See “APPENDIX E—BOOK–ENTRY SYSTEM” for a more detailed discussion of the book–entry system and DTC.

Debt Service On The 2020 Bonds

Payment Date	The 2020 Bonds		Period Total	Fiscal Total
	Principal	Interest		
June 1, 2021.....	\$ 0.00	\$ 215,699.17	\$215,699.17	\$215,699.17
December 1, 2021.....	0.00	188,475.00	188,475.00	
June 1, 2022.....	0.00	188,475.00	188,475.00	376,950.00
December 1, 2022.....	0.00	188,475.00	188,475.00	
June 1, 2023.....	515,000.00	188,475.00	703,475.00	891,950.00
December 1, 2023.....	0.00	175,600.00	175,600.00	
June 1, 2024.....	540,000.00	175,600.00	715,600.00	891,200.00
December 1, 2024.....	0.00	162,100.00	162,100.00	
June 1, 2025.....	570,000.00	162,100.00	732,100.00	894,200.00

Debt Service On The 2020 Bonds—continued

Payment Date	The 2020 Bonds		Period Total	Fiscal Total
	Principal	Interest		
December 1, 2025.....	0.00	147,850.00	147,850.00	
June 1, 2026.....	600,000.00	147,850.00	747,850.00	\$895,700.00
December 1, 2026.....	0.00	132,850.00	132,850.00	
June 1, 2027.....	625,000.00	132,850.00	757,850.00	890,700.00
December 1, 2027.....	0.00	117,225.00	117,225.00	
June 1, 2028.....	660,000.00	117,225.00	777,225.00	894,450.00
December 1, 2028.....	0.00	100,725.00	100,725.00	
June 1, 2029.....	690,000.00	100,725.00	790,725.00	891,450.00
December 1, 2029.....	0.00	83,475.00	83,475.00	
June 1, 2030.....	725,000.00	83,475.00	808,475.00	891,950.00
December 1, 2030.....	0.00	65,350.00	65,350.00	
June 1, 2031.....	765,000.00	65,350.00	830,350.00	895,700.00
December 1, 2031.....	0.00	53,875.00	53,875.00	
June 1, 2032.....	785,000.00	53,875.00	838,875.00	892,750.00
December 1, 2032.....	0.00	42,100.00	42,100.00	
June 1, 2033.....	810,000.00	42,100.00	852,100.00	894,200.00
December 1, 2033.....	0.00	34,000.00	34,000.00	
June 1, 2034.....	825,000.00 (1)	34,000.00	859,000.00	893,000.00
December 1, 2034.....	0.00	25,750.00	25,750.00	
June 1, 2035.....	840,000.00 (1)	25,750.00	865,750.00	891,500.00
December 1, 2035.....	0.00	17,350.00	17,350.00	
June 1, 2036.....	860,000.00	17,350.00	877,350.00	894,700.00
December 1, 2036.....	0.00	8,750.00	8,750.00	
June 1, 2037.....	<u>875,000.00</u>	<u>8,750.00</u>	<u>883,750.00</u>	892,500.00
Totals.....	<u>\$10,685,000.00</u>	<u>\$3,303,599.17</u>	<u>\$13,988,599.17</u>	

(1) Mandatory sinking principal payments from a \$1,665,000 2.0% term bond due June 1, 2035.

(Source: Municipal Advisor.)

SECURITY AND SOURCES OF PAYMENT FOR THE 2020 BONDS

Pledge Of The Indenture

The 2020 Bonds and any other Bonds hereafter issued pursuant to the Indenture are secured equally and ratably by a pledge of (i) the Net Revenues (as defined below) and (ii) moneys in funds and accounts held by the Trustee under the Indenture (except the Rebate Fund). The 2020 Bonds are not a general obligation of the City, the State of Utah or any agency, instrumentality or political subdivision thereof. Neither the full faith and credit nor the taxing authority of the City, the State of Utah or any agency, instrumentality or political subdivision thereof will be assigned or pledged for payment of the 2020 Bonds. The City will not mortgage or grant a security interest in the Water System to secure payment of the 2020 Bonds.

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

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

“Revenues” means all revenues, fees (including impact fees and connection fees), income, rents and receipts received or earned by the City from or attributable to the ownership and operation of the Water System, together with all interest earned by and profits derived from the sale of investments in the related funds thereof.

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

“Rate Covenant Requirement” means 125% of the Aggregate Annual Debt Service Requirement.

“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.

See “APPENDIX B—AMENDED AND RESTATED GENERAL INDENTURE OF TRUST—DEFINITIONS.”

No Debt Service Reserve Requirement For The 2020 Bonds

Under the Indenture, each Series of Bonds may be secured by a separate subaccount in the Debt Service Reserve Fund established in the Indenture. There is no Debt Service Reserve Requirement for the 2020 Bonds and no account in the Debt Service Reserve Fund will be funded with respect to the 2020 Bonds.

Rate Covenant

While any of the principal and interest on the Bonds are outstanding and unpaid, or any Repayment Obligations are outstanding, the rates and fees including connection and impact fees, for all services supplied by the Water System to the City and to its inhabitants and to all customers within or without the boundaries of the City, shall be sufficient to pay the Operation and Maintenance Expenses for the Water 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 year, plus an amount sufficient to fund the Debt Service Reserve Fund for the Bonds in the time, rate and manner specified herein; provided, however, that such rates must be reasonable rates for the type, kind and character of the service rendered. There shall be no free water treatment service, and such rates shall be charged against all users of the Water System, including the City.

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

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

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

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

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

For a description of the Water System, rates and charges for services provided by the Water System and moneys available for use in connection with the Water System; see “THE WATER SYSTEM” below. Creation Of Accounts; Flow Of Funds

Creation of Accounts. The Indenture establishes an Acquisition/Construction Fund, Revenue Fund, Bond Fund, Sinking Fund Account, Debt Service Reserve Fund, Reserve Instrument Fund, Repair and Replacement Fund, Rebate Fund, and Rate Stabilization Fund as described under Funds and Accounts in “APPENDIX B—AMENDED AND RESTATED GENERAL INDENTURE OF TRUST—Article III. Creation of Funds” (page B–30).

Flow of Funds. Under the Indenture, all Revenues shall be accounted for and maintained by the City in the Revenue Fund in the manner and order of priority specified in “APPENDIX B—AMENDED AND RESTATED GENERAL INDENTURE OF TRUST—Article V. Use of Funds—Section 5.2 Application of Revenues” (page B–33).

Issuance Of Additional Bonds

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

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

(a) The Net Revenues of the System for any Year within the 24-month period immediately preceding the authentication and delivery of the Additional Bonds were at least 125% of the total principal, premium, if any, and interest payments for said Year on all of the Bonds then Outstanding, all as verified by an independent accountant in a certification delivered to the Trustee.

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

(b) In the case of Additional Bonds issued for the purposes set forth in (d)(ii) below, the City shall have delivered to the Trustee a certificate from a Qualified Engineer:

- (1) setting forth the Estimated Net Revenues as herein described (assuming, if applicable, the completion of any additions, improvements, extensions, replacements or repairs to the System (collectively, the “Improvements”) financed with proceeds of the Additional Bonds) either:
 - (i) for each of the two Bond Fund Years succeeding the latest estimated date of completion of the Improvements, if proceeds of the Additional Bond are used to fund interest during the construction period, or
 - (ii) if (i) is not the case, for the then current Bond Fund Year and each succeeding Bond Fund Year to and including the second Bond Fund Year succeeding the latest estimated date of completion of the Improvements, and
- (2) verifying that the Estimated Net Revenues as shown in (1) above for each of such Bond Fund Years are not less than 125% of the Aggregate Annual Debt Service Requirement for each of such Bond Fund Years with respect to all of the Bonds 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.

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

"Estimated Net Revenues" shall be determined by the Qualified Engineer as follows:

- (A) The total Net Revenues of the Water System for the most recent Year 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 Improvements financed with the proceeds of the Additional Bonds will be estimated by the Qualified Engineer for the applicable Bond Fund Years as determined in (b)(1)(i) or (ii) above.
- (C) The Estimated Net Revenues will be the sum of the Net Revenues as calculated in (A) above, plus 80% of the estimated additional Net Revenues as calculated in (B) above.

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Historical Debt Service Coverage

For purposes of this OFFICIAL STATEMENT, historical net revenues have been presented for informational purposes. The following table shows the past five Fiscal Years of historical Net Revenues of the System.

	Fiscal Year Ended June 30				
	2019	2018	2017	2016	2015
Operating revenues					
Charges for services	\$ 5,873,635	\$ 5,774,693	\$ 5,786,314	\$ 5,313,166	\$ 5,140,833
Miscellaneous (1)	427,880	589,570	266,666	—	—
Total operating revenues.....	<u>6,301,515</u>	<u>6,364,263</u>	<u>6,052,980</u>	<u>5,313,166</u>	<u>5,140,833</u>
Operating expenses					
Employee salaries.....	1,212,730	1,009,616	953,895	1,001,083	931,323
Indirect services.....	1,231,634	1,062,411	924,601	839,792	730,155
Professional services.....	671,837	1,194,146	203,579	210,460	227,732
Materials and supplies.....	489,403	406,223	424,727	342,307	41,736
Utilities.....	437,608	432,049	382,595	365,389	334,187
Motor pool charge.....	268,497	186,735	159,511	184,123	181,802
Waer assessment.....	128,998	133,799	132,455	116,802	130,945
Repairs and maintenance.....	96,096	48,959	44,946	43,858	43,858
Insurance.....	18,653	33,454	20,562	18,094	17,887
Sundry charges.....	10,757	7,754	16,770	16,809	9,811
Capital outlay.....	4,777	3,782	—	—	—
Plant assessment.....	—	—	—	136,284	136,284
Total operating expenses.....	<u>4,570,990</u>	<u>4,518,928</u>	<u>3,263,641</u>	<u>3,275,001</u>	<u>2,785,720</u>
Operating income (loss).....	<u>1,730,525</u>	<u>1,845,335</u>	<u>2,789,339</u>	<u>2,038,165</u>	<u>2,355,113</u>
Non-operating revenues (expenses)					
Impact fees/water rights (2)	1,621,751	1,116,529	1,050,886	814,345	514,427
Grant proceeds (3)	238,315	35,000	183,339	66,269	—
Interest income.....	15,228	9,446	9,100	5,644	4,182
Gain (loss) on disposal of assets.....	—	—	—	—	90,274
Total non-operating revenues (expenses).....	<u>1,875,294</u>	<u>1,160,975</u>	<u>1,243,325</u>	<u>886,258</u>	<u>608,883</u>
Revenues available for System use.....	<u>\$ 3,605,819</u>	<u>\$ 3,006,310</u>	<u>\$ 4,032,664</u>	<u>\$ 2,924,423</u>	<u>\$ 2,963,996</u>
Debt service					
2010 Bonds.....	—	—	1,211,663	1,209,863	1,207,563
2011 Bonds	123,144	122,883	123,603	123,286	122,932
2012 Bonds.....	818,232	817,808	149,096	150,388	151,676
Total debt service.....	<u>941,376</u>	<u>940,691</u>	<u>1,484,362</u>	<u>1,483,537</u>	<u>1,482,171</u>
Debt service coverage					
Revenues less operating and maintenance (O&M).....	<u>2.11</u>	<u>2.01</u>	<u>2.01</u>	<u>1.42</u>	<u>1.65</u>
Revenues less O&M plus impact fees.....	<u>3.83</u>	<u>3.20</u>	<u>2.72</u>	<u>1.97</u>	<u>2.00</u>
Rate Covenant Requirement.....	<u>1.25x</u>	<u>1.25x</u>	<u>1.25x</u>	<u>1.25x</u>	<u>1.25x</u>

(1) Includes BOR WaterSmart Grant, NRCS Grant and LID Reimbursement funds.

(2) Includes drinking water impact fees, pressurized irrigation impact fees and water rights revenue.

(3) Includes Community Development Block Grant revenue.

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

PROJECTED REVENUES OF THE WATER SYSTEM AND DEBT SERVICE COVERAGE

Forward Looking Projected Information. The City does not as a matter of course make public projections as to future revenues, income or other results, although it does make projections for management. However, the management of the City has prepared the prospective financial information set forth below in the table “Projected Debt Service Coverage,” to present projected Net Revenue of the Water System for Fiscal Years 2020 through 2024. The accompanying prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the City’s management, was prepared on a reasonable basis with reasonable assumptions, reflects the best currently available estimates and judgments and presents, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the Water System. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this OFFICIAL STATEMENT are cautioned not to place undue reliance on the prospective financial information.

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

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

Projected Revenues, Expenses And Debt Service Coverage

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

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Projected Revenues, Expenses And Debt Service Coverage

	Fiscal Year Ended June 30				
	Projected				
	2020	2021	2022	2023	2024
Operating revenues					
Charges for services	\$ 6,146,819	\$ 6,280,828	\$ 6,454,479	\$ 6,635,857	\$ 6,822,464
Miscellaneous (1)	13,005	827,352	476,000	191,773	175,000
Total operating revenues.....	6,159,824	7,108,180	6,930,479	6,827,630	6,997,464
Operating expenses					
Salaries and benefits.....	1,016,835	1,050,217	1,030,155	1,042,793	1,055,622
Indirect services.....	1,070,008	1,105,135	1,084,024	1,097,323	1,110,822
Professional and other services.....	1,202,685	1,242,167	1,218,439	1,233,387	1,248,560
Motor pool charge.....	188,070	194,244	190,534	192,871	195,244
Utilities.....	435,138	449,423	440,838	446,247	451,736
Repairs and maintenance.....	49,309	50,928	49,955	50,568	51,190
Other expenses	45,312	46,799	45,905	46,468	47,040
Materials and supplies.....	409,126	422,559	414,485	419,570	424,731
Total operating expenses.....	4,416,483	4,561,473	4,474,334	4,529,228	4,584,946
Operating income (loss).....	1,743,341	2,546,707	2,456,145	2,298,402	2,412,518
Non-operating revenues (expenses)					
Impact fees/water rights.....	977,051	1,061,207	1,161,207	1,412,416	1,591,164
Grant Proceeds (2)	–	200,000	70,000	55,689	–
Dividend.....	(207,694)	(228,750)	(261,204)	(265,122)	(269,099)
Interest income.....	92,626	28,752	27,764	29,042	36,834
Total non-operating revenues (expenses).....	861,983	1,061,209	997,767	1,232,025	1,358,899
Total Net Revenues available for debt service.....	\$ 2,605,324	3,607,916	3,453,912	3,530,427	3,771,417
Debt service					
2011 Bonds.....	\$ 125,144	\$ 123,553	\$ 122,702	\$ 122,832	\$ 122,924
2012 Bonds.....	817,166	817,635	818,588	–	–
2020 Bonds*	–	215,670	376,950	891,950	891,200
Total debt service.....	\$ 942,310	\$ 1,156,858	\$ 1,318,240	\$ 1,014,782	\$ 1,014,124
Debt service coverage					
Revenues less operating and maintenance (O&M).....	1.73	2.20	1.74	2.09	2.15
Revenues less O&M plus impact fees.....	2.76	3.12	2.62	3.48	3.72
Rate Covenant Requirement.....	1.25x	1.25x	1.25x	1.25x	1.25x

* Preliminary subject to change.

(1) Includes BOR WaterSmart Grant, NRCS Grant and LID Reimbursement funds.

(2) Community Development Block Grant.

(Source: The City.)

THE 2020 PROJECT

The purpose of the projects are to cure deficiency's in the Water System, increase the Water System capacity and repair deteriorating Water System infrastructure. The 2020 Project is currently anticipated to consist of:

(i) *New Malcomb Springs Tank.* The City currently has two drinking water storage tanks at the junction of highway US-6 and US-89. The first tank was constructed in the early 1980's and has a one million gallon capacity. The second tank was constructed in the late 1980's and has a two million gallon capacity. The concrete on both tanks are beginning to deteriorate at the top of the walls and the lid. The concrete lids are beginning to sag as well, causing rain and moisture to pool on top. This deterioration is considered a deficiency with the State of Utah's, Division of Drinking Water. As such, both existing tanks will be demolished and a new tank with a three million gallon capacity will be constructed. The approximate cost for this project is \$3,500,000. Construction is expected to begin in Fiscal Year 2021 and be completed by Fiscal Year 2024.

(ii) *Power Corridor Transmission Pressurized Irrigation Line.* The Power Corridor Transmission Pressurized Irrigation Line will be an additional source for the City's pressurized irrigation system. The line will start at the furthest south east part of the City with a 24-inch line connected to Central Utah Water Conservancy District ("CUWCD"). CUWCD will have the capacity to deliver approximately 7,000 gallons of water per minute to the City through this line. The line will follow the Rocky Mountain Power corridor north west throughout the City. The line decreases in size as other connections are made for distribution within the system. This project will connect to the 400 North Slant Road to 2700 East pressurized irrigation project. This project will increase the pressure in the system 50+ pounds per square inch. The approximate cost for this project is \$2,842,780. Construction will begin in Fiscal Year 2020 and is expected to be completed by Fiscal Year 2023.

(iii) *US-6 30 Transmission Line Replacement.* The City currently has a 30-inch water line that parallels US-6, beginning at mile marker 181.5 and continuing northwest to the junction of US-6 and US-89. This line was installed in the 1980's and is made of CMC pipe (outer concrete, spiral metal, inner concrete). This line is slowly deteriorating, causing occasional minor leaks. Approximately \$2,000,000 of the 2020 Bond proceeds will be used to reline 16,000 feet of the old line with a smaller HDPE pipe. Construction will begin in Fiscal Year 2021 and is expected to be completed by Fiscal Year 2023.

(iv) Approximately \$1,775,000 of 2020 Bond proceeds will be used for the following block rebuilds. Construction will begin in Fiscal Year 2021 and is expected to be completed by Fiscal Year 2024.

(a) 200 South-300 East to 500 East Waterline Replacement. Two blocks of 10-inch water mains and 24 one-inch service lines with meters will be replaced as well as the installation of a pressure reducing valve ("PRV") station with telemetry and new valves on 400 East and 300 East.

(b) 500 North-500 East to 600 East Waterline Replacement. One block of six-inch water line with eight-inch pipe and eight one-inch service lines with meters will be replaced. Additionally, new valves will be installed at the 600 East intersection.

(c) Main Street-1600 North to 1900 North Waterline Replacement. Water lines in this area will be upsized to cure a current "bottleneck" deficiency which is causing restraints with fire flow conditions. Approximately 1,600 feet of six-inch water line will be replaced with a 12-inch water line.

(d) 100 South-Escalante Drive to 650 West 12-inch Waterline Replacement. Approximately 1,800 feet of 12-inch ductile iron pipe is being replaced with 12-inch PVC C-900 pipe along with 18 service line meters as a result of significant water leaks in the area. This line services residents in the area and is a central transmission line to the residents to the west.

(e) Center Street-300 West to Main Street Waterline Replacement. Three blocks of undersized water lines will be upsized to 8-inch lines. Additionally, 20 service lines, meters and valves will be updated at each intersection.

(v) *Upper Zone PRVs.* Five PRV's will be installed at an elevation of 4,725 feet throughout the City to control the change in water pressure as elevation changes in the City's upper zone related to the new power corridor transmission line and the new water source from CUWCD. Approximately \$1,000,000 of 2020 Bond proceeds will be used to fund this project. Construction is expected to begin in Fiscal Year 2021 and be completed by Fiscal Year 2022.

(vi) *400 North Slant Road to 2700 East Drinking Water and Pressurized Irrigation Pipelines.* Approximately \$450,000 of 2020 Bond proceeds will be used to install a drinking water and pressurized irrigation pipeline in this undeveloped area within the north east part of the City to reduce redundancy, pressure and volume. Both lines will be approx-

imately 1,250 feet in length. Construction will begin in Fiscal Year 2021 and is expected to be completed by Fiscal Year 2022.

(vii) *Southwest Regional Lift Station Waterline*. The City is in the process of building a regional sewer lift station in the undeveloped southwest part of the City. Approximately 1,500 feet of a 12-inch waterline is required to be installed to service this lift station and the immediate area. This master planned waterline will be looped into the existing waterline 5,000 feet to the north as the area is annexed and developed. The approximate cost for this project is \$300,000. Construction will begin in Fiscal Year 2021 and is expected to be completed by Fiscal Year 2022

THE WATER SYSTEM

General

The City currently owns and operates drinking water facilities to provide drinking water services to the residents of the City (the “Drinking Water Facilities”) and pressurized irrigation facilities to provide pressurized irrigation services to the residents of the City (the “Pressurized Irrigation Facilities”). The Pressurized Irrigation Facilities and the Drinking Water Facilities together comprise the Water System. The Water System consists of a water distribution system, water sources and water storage facilities. The Water System consists of 14 sources of water and seven reservoirs to store excess water. Six of the seven reservoirs also serve as fire flow emergency storage facilities. The Water System’s pipelines connect the City’s sources to the reservoirs and to the individual water users. In addition to pump stations at the City’s six well sites, the City has booster pump stations at every reservoir site. The Water System also comprises miscellaneous items including valves, fire hydrants, a telemetry system which controls all the deep well pumps, booster pumps, and corporation stops and meters. The Water System supplies all irrigation water used in the City.

Drinking Water Facilities consist of 245 miles of water transmission and distribution main lines, servicing a 14.95 square mile area which covers approximately 95% of all areas within City boundaries. Pipe sizes range from four inches to 36 inches in diameter. Predominant distribution pipe sizes include six-inch and eight-inch diameter pipes. Predominant transmission pipe sizes include 24-inch and 30-inch diameter pipes. Various types of piping material are used to distribute drinking water including C900 polyvinyl chloride (“PVC”), ductile iron, concrete cylinder, steel and polyethylene. Customer service connections are metered with service lines ranging in size from ¾-inch to six-inches in diameter. Service pipes smaller than two inches in diameter are type K copper and high-density polyethylene pipe (“HDPE”). Two and one-half inch and larger lines are C900 PVC or ductile iron. There are 1,819 fire hydrants in the City.

Pressurized Irrigation Facilities consist of a distribution system, water sources (including wells and diversions from the Spanish Fork River), and water storage ponds with pump stations. Additionally, there are two ponds which store water for peak demand. Irrigation water is delivered to the individual water users through pipelines from these ponds. Pressurized Irrigation Facilities also include filters and pumps stations. Irrigation water is metered at each individual connection to account for water usage and assist in water conservation. The Pressurized Irrigation Facilities consist of 158 miles of four-inch through 36-inch pipe. All pipes are either C900 PVC or ductile iron pipe.

CUWCD Agreement

In addition to the sources listed above, the City has an agreement to purchase approximately 7,820 acre-feet of water per year pursuant to a water purchase agreement (the “Agreement”) with CUWCD. Pursuant to the Agreement, CUWCD has agreed to sell and deliver and the City has agreed to buy water at an average cost of \$150 per acre foot of water, through the construction period of the Payson and Spring Lake Reach of the Spanish Fork Santaquin Pipeline (the “Pipeline”). Once the Pipeline is completed, the City plans to purchase approximately 7,820 acre-feet of water annually. The Agreement is perpetual in nature; however, the City and CUWCD have the right to mutually modify the Agreement at any time.

Water Rights, Licenses, Permits, Approvals and Environmental Considerations

The City owns State approved water rights for each of its deep-water wells. The City has water rights to approximately 20,000-acre feet of water per year. The City has determined that it has sufficient water rights to meet its projected drinking water needs for the next 20 to 30 years. The City has obtained all applicable state and local licenses, permits and approvals necessary to operate the Water System.

The Water System is currently in compliance with all environmental laws and regulations applicable to its operations, including, but not limited to, the Safe Drinking Water Act of 1986 and the Utah Safe Drinking Water Act and the laws and reg-

ulations applicable to the disposal of solid and hazardous waste. The Water System also operates in compliance with all environmental, health and safety laws and regulations applicable to the use and disposal of chemicals used by the System to make water drinkable.

Water Sources And Supplies

Five sources are approved by the Utah Division of Drinking Water (“DDW”) for the City’s drinking water system. These sources include Crab Creek, Upper Cold Springs, Malcomb Springs, Canyon Elementary Well and Canyon Road Well. Both Canyon Wells can be independently used in either system. As demand increases, the City will seek approval from the DDW for Lower Cold Springs to be approved for drinking water.

The following table shows the primary use and the amount of water in gallons per minute (“GPM”) obtained from each source.

<u>Location</u>	<u>Approximate Amount (GPM)</u>	<u>Primary Use</u>
Upper Cold Springs.....	4,000	Drinking Water
Upper & Lower Crab Creek Springs....	1,200	Drinking Water
Malcom Springs.....	2,700	Drinking Water
Canyon Elementary Well.....	2,000	Pressurized Irrigation/Drinking Water
2550 East Canyon Road Well.....	1,250	Pressurized Irrigation/Drinking Water
CUWCD Connection	11,200	Pressurized Irrigation
Spanish Fork River Diversions.....	4,488	Pressurized Irrigation
Lower Cold Springs 2.....	2,500	Pressurized Irrigation
Memorial Well.....	1,300	Pressurized Irrigation
Shop Well.....	1,200	Pressurized Irrigation
Darger Springs.....	800	Pressurized Irrigation
Cemetery 1 Well.....	750	Pressurized Irrigation
Cemetery 2 Well.....	500	Pressurized Irrigation
Ensign Brickford.....	250	Pressurized Irrigation

(Source: The City.)

Water Treatment

The City currently treats water derived from the springs with chlorine. All other sources can only be used in pressurized irrigation.

Water Storage Facilities

The Water System currently includes the following water storage facilities, which provide a total storage capacity of 11.25 million gallons of drinking water and 21 gallons of pressurized irrigation water.

<u>Storage Facility</u>	<u>Type</u>	<u>Capacity (MG)</u>
Sterling Hollow Tank	Drinking Water	5.000
Sterling Hollow Tank	Drinking Water	3.000
Malcomb Tank	Drinking Water	2.000
Malcomb Tank2	Drinking Water	1.000
Oaks Tank	Drinking Water	0.125
Oaks Tank	Drinking Water	0.125
Pressurized Irrigation Tank	Pressurized Irrigation	21.000

(Source: The City.)

Customers and Water Usage

Connections: The following table shows the breakout between pressurized irrigation and drinking water connections for Fiscal Years 2015 through 2019.

Fiscal Year Ended June 30	Pressurized Irrigation	% Change From Prior Year	Drinking Water	% Change From Prior Year
2019	9,713	3.1	12,036	3.2
2018	9,412	3.3	11,661	2.9
2017	9,106	2.6	11,330	3.2
2016	8,874	1.8	10,971	1.6
2015	8,715	2.6	10,801	2.2

(Source: The City.)

The following table shows the breakout of total connections between residential and commercial/industrial/Institutional water use for Fiscal Years 2015 through 2019. Residential connections grew 11% between 2015 and 2019 and commercial/industrial/institutional connections grew 15% over the same time period.

Fiscal Year Ended June 30	Residential Connections	% Change From Prior Year	Commercial/ Industrial/ Institutional Connections	% Change From Prior Year
2019	11,373	3.4	663	(0.04)
2018	10,995	3.0	666	0.80
2017	10,669	2.3	661	17.40
2016	10,425	1.9	546	(5.49)
2015	10,225	2.2	576	1.60

(Source: The City.)

Largest Paying Water Customers. The following table shows the annual gallons used by the City's 10 largest water customers by volume for drinking water during Fiscal Year 2020 and the total water sales associated with each customer. The discrepancies between water used and water sales are due to the difference in the number of water meters for a given customer.

Customer	Drinking Water Gallons Used (1)	% of Drinking Water Use	Drinking Water Sales (\$)	% of Drinking Water Sales
Utah County Jail.....	30,700	2.9	44,124	1.6
Hydro Extrusion.....	30,635	2.9	45,145	1.6
Spanish Fork Properties Inc.....	17,645	1.7	27,436	1.0
Mountain Country Foods.....	16,361	1.5	24,866	0.9
Nebo School District.....	13,171	1.2	35,102	1.3
Longview.....	11,952	1.1	18,167	0.6
General Atomics.....	10,927	1.0	16,449	0.6
Nature's Sunshine.....	8,720	0.8	12,223	0.4
Wiggy Wash.....	6,821	0.6	9,943	0.4
Church of Jesus Christ of Latter-day Saints.....	6,718	0.6	19,778	0.7

(1) Thousand gallons.

(Source: The City.)

The following table shows the annual gallons used by the City's 10 largest pressurized irrigation customers by volume for pressurized irrigation during Fiscal Year 2020 and the total water sales associated with each customer. The discrepancies between water used and water sales are due to the difference in the number of water meters for a given customer.

<u>Customer</u>	<u>Irrigation Gallons Used(1)</u>	<u>% of Irrigation Water Use</u>	<u>Irrigation Water Sales (\$)</u>	<u>% of Irrigation Water Sales</u>
Nebo School District	63,787	3.3	76,805	2.5
Church of Jesus Christ of Latter-day Saints...	61,892	3.2	68,552	2.2
Somerset Village HOA.....	17,288	0.9	18,132	0.6
Woodbury Corporation.....	16,161	0.8	21,943	0.7
Southgate HOA.....	13,743	0.7	15,628	0.5
American Leadership Academy.....	9,510	0.5	9,890	0.3
TPM Inc.....	7,242	0.4	8,933	0.3
Harward Farms.....	5,720	0.3	1,167	0.0
AH4R LLC.....	5,385	0.3	9,943	0.3
Sunset Park HOA.....	5,188	0.3	7,072	0.2

(1) Thousand gallons.

(Source: The City.)

Peak Demand

The following table shows the peak day of water production in million gallons per day (“MGD”) for the Fiscal Years shown below. Peak demand is the peak day of water production during the reporting year.

<u>Year</u>	<u>Peak Demand (MGD)</u>
2020	20.5
2019	17.2
2018	18.7
2017	18.2
2016	17.5
2015	16.5
2014	17.5
2013	16.8
2012	16.9
2011	12.6

(Source: The City.)

Water System Rates And Charges

The principal components of the revenues from the Water System are water impact fees and monthly service charges. Monthly service charges are charges based upon base monthly rates and the amount of water actually used. Water impact fees are fees charged to new users of the Water System [or to users that have increased the size of their existing water taps]. Water impact fees assist the City with funding for development and acquisition of new water sources and the construction of transmission and distribution lines

The following tables show the drinking water rates currently charged by the City. The City has not raised water rates since 2003 and does not anticipate increasing water rates over the next five years.

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Drinking Water Base Rates		
Type of Unit	Meter Size	Rate Charge Per Month Per Unit
Residential	Not applicable	\$ 10.00
Commercial:		
	3/4" or 1".....	10.00 (1)
	1.5".....	22.50 (1)
	2".....	40.00 (1)
	3" or 4".....	122.50 (1)
(1) Per 1,000 gallons (Source: The City.)		

Drinking Water Metered Rates (1)				
# of Gallons	Residential Rate (1)	Residential Rate (2)	Commercial Rate (1)	Commercial Rate (2)
0 – 6,000.....	\$1.14	\$1.14	\$1.14	\$1.12
6,001 –18,000.....	1.39	1.39	1.39	1.39
18,000+.....	2.14	1.39	1.39	1.39

- (1) Units with pressurized irrigation.
(2) Units without pressurized irrigation.

(Source: The City.)

The following tables show the pressurized irrigation rates currently being charged by the City. The City does not anticipate increasing pressurized irrigation rates over the next five years.

Pressurized Irrigation Base and Metered Rates	
Meter Size/ Usage Charge per 1,000 Gallons	Rate Charge Per Month Per Unit
3/4" or 1".....	\$ 11.34
1.5".....	25.52
2".....	45.36
4".....	138.92
1,000 – 25,000 gallons.....	0.82
25,0001+ gallons.....	0.97
(Source: The City.)	

Impact Fees

Impact Fees. The City assesses impact fees on new development at the time a building permit is issued so that existing customers are not burdened with the cost of new infrastructure for which they receive no benefit. Pursuant to State law, the impact fees include only the proportionate cost of infrastructure and water rights necessary to serve each customer. The impact fees do not include any administrative or overhead costs. Impact fees have been calculated differently for types within the City.

The current drinking water impact fee for Fiscal Year 2020 for a one-inch meter size is \$1,163.10. The current pressurized irrigation impact fee for a single family, twin home and duplexes is \$9,525.51 times the lot size in acres. The pressurized irrigation impact fee for multi-family and non-residential is \$15,875.85 times the landscaped area in acres.

Billings And Collection

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

Utility bills are generated monthly and are due on the 20th of each month. If an account is not paid in full by the due date, a 5% late fee is charged on the unpaid balance. If an account becomes delinquent 15 days or more, the utility service is subject to shut-off and a shut-off notice is sent via mail, email and phone and a \$15 fee is assessed. After an additional seven days, if any part of the utility bill remains unpaid, the electric service is shut-off and an additional \$30 shut-off fee is charged. In order for electric service to be reconnected after shut-off occurs, the delinquent bill and the current bill must be paid in full. The \$15 shut-off notice fee and the \$30 shut-off fee carry over to the following month. If after an additional five days the bill remains unpaid, the water service is shut off and an additional \$30 fee is assessed.

Water System Master Plan; Future System Projects

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

Historical Five-Year Financial Summaries Of The Water System

The summaries contained herein regarding the Water System were extracted from the City's financial statements for Fiscal Years 2015 through 2019. The summaries themselves have not been audited. See "APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2019."

The City's annual financial statement for Fiscal Year 2020 must be completed under State law by November 30, 2020.

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Spanish Fork, Utah

Statement of Net Position

Water

Proprietary Funds—Business-type Activities—Enterprise Fund

(This summary has not been audited)

	As of June 30				
	2019	2018	2017	2016	2015
Assets and deferred outflows or resources					
Current assets					
Cash and cash equivalents.....	\$ 3,118,367	\$ 3,349,222	\$ 2,588,109	\$ 1,392,334	\$ 2,418,817
Accounts receivable.....	448,541	503,681	558,728	500,148	415,967
Due from other funds.....	145,707	28,053	28,962	312,089	638,242
Inventory.....	4,500	4,500	4,500	4,500	4,500
Allowance for doubtful accounts.....	(9,408)	(9,408)	(9,408)	(9,408)	(9,408)
Total current assets.....	3,707,707	3,876,048	3,170,891	2,199,663	3,468,118
Noncurrent assets					
Capital assets					
Improvements.....	86,925,700	83,634,743	79,694,216	76,568,409	73,554,098
Water Rights.....	6,067,361	5,900,448	5,238,467	5,131,345	4,980,946
Equipment.....	3,015,055	2,885,012	2,885,012	2,885,012	2,885,012
Buildings.....	2,503,585	2,503,585	2,503,585	2,498,258	2,484,689
Land.....	870,483	280,483	280,483	280,483	280,483
Less: accumulated depreciation.....	(40,018,808)	(37,443,205)	(34,923,343)	(32,465,786)	(30,014,150)
Net pension asset.....	—	169	167	256	449
Restricted cash and equivalents.....	239,065	239,065	155,612	101,810	272,507
Total noncurrent assets.....	59,602,441	58,000,300	55,834,199	54,999,787	54,444,034
Total assets.....	63,310,148	61,876,348	59,005,090	57,199,450	57,912,152
Deferred outflows of resources					
Related to pensions.....	211,661	197,889	215,666	174,746	61,490
Total assets and deferred outflows of resources.....	\$ 63,521,809	\$ 62,074,237	\$ 59,220,756	\$ 57,374,196	\$ 57,973,642
Liabilities, deferred inflows of resources and net position					
Current liabilities					
Bonds payable - current portion.....	\$ 854,000	\$ 834,000	\$ 813,000	\$ 1,327,000	\$ 1,300,000
Due to other funds.....	—	—	—	—	1,901,395
Accrued compensated absences.....	187,552	165,094	173,076	180,027	115,118
Accounts payable.....	141,244	164,831	103,583	48,261	120,966
Accounts interest payable.....	46,567	38,314	10,641	13,114	17,982
Customer deposits.....	—	—	—	—	42,423
Connector agreements.....	—	—	—	—	—
Total current liabilities.....	1,229,363	1,202,239	1,100,300	1,568,402	3,497,884
Noncurrent liabilities					
Bonds payable.....	2,888,000	3,742,000	4,576,000	5,389,000	6,716,000
Net pension liability.....	423,682	233,464	405,657	355,180	264,396
Deferred revenue.....	25,883	28,405	40,586	27,035	—
Total noncurrent liabilities.....	3,337,565	4,003,869	5,022,243	5,771,215	6,980,396
Total liabilities.....	4,566,928	5,206,108	6,122,543	7,339,617	10,478,280
Deferred inflows of resources					
Related to pensions.....	12,908	151,419	58,567	45,327	42,322
Total deferred inflows of resources.....	12,908	151,419	58,567	45,327	42,322
Net position					
Net investment in capital assets.....	55,860,441	53,424,131	50,445,032	48,268,519	46,155,078
Unrestricted.....	2,842,467	3,053,514	2,439,002	1,618,923	1,042,080
Restricted for:					
Bond requirements	239,065	239,065	155,612	86,798	—
Impact fees	—	—	—	10,008	15,259
Water rights	—	—	—	5,004	240,623
Total net position.....	\$ 58,941,973	\$ 56,716,710	\$ 53,039,646	\$ 49,989,252	\$ 47,453,040

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

Spanish Fork, Utah

Statement of Revenues, Expenses and Changes in Net Position

Waster

Proprietary Funds—Business-type Activities—Enterprise Fund

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2019	2018	2017	2016	2015
Operating revenues					
Charges for services.....	\$ 6,728,950	\$ 6,292,900	\$ 6,221,783	\$ 5,844,319	\$ 5,140,833
Miscellaneous.....	176,531	548,115	81,986	68,818	214,908
Total operating revenues.....	6,905,481	6,841,015	6,303,769	5,913,137	5,355,741
Operating expenses					
Depreciation.....	2,575,603	2,519,862	2,457,556	2,451,637	2,446,904
Indirect services.....	1,231,634	1,062,411	924,601	839,792	730,155
Employee salaries.....	1,212,730	1,009,616	953,895	1,001,083	931,323
Professional services.....	671,837	1,194,146	203,579	210,460	227,732
Materials and supplies.....	489,403	406,223	424,727	342,307	323,080
Utilities.....	437,608	432,049	382,595	365,389	334,187
Motor pool charge.....	268,497	186,735	159,511	184,123	181,802
Water assessment.....	128,998	133,799	132,455	116,802	130,945
Repairs and maintenance.....	96,096	48,959	44,946	43,858	41,736
Insurance.....	18,653	33,454	20,562	18,094	17,887
Sundry charges.....	10,757	7,754	16,770	16,809	9,811
Plant assessment.....	—	—	—	136,284	136,284
Capital outlay.....	4,777	3,782	—	—	—
Total operating expenses.....	7,146,593	7,038,790	5,721,197	5,726,638	5,511,846
Operating income (loss).....	(241,112)	(197,775)	582,572	186,499	(156,105)
Non-operating revenues (expenses)					
Contributions from private contractors.....	1,723,038	3,484,905	2,032,603	2,192,751	1,039,241
Impact fees and water right fees.....	831,600	597,414	615,469	481,414	424,249
Grant proceeds.....	238,315	35,000	183,339	66,269	—
Pension benefit expense.....	103,258	161,050	100,696	102,466	109,481
Gain on sale of fixed assets.....	—	—	—	—	90,274
Interest income.....	15,228	9,446	9,100	5,644	4,182
Pension expense.....	(141,363)	(99,484)	(123,582)	(83,193)	(69,199)
Interest expense.....	(109,638)	(131,997)	(159,891)	(185,668)	(212,036)
Total non-operating revenues (expenses).....	2,660,438	4,056,334	2,657,734	2,579,683	1,386,192
Income (loss) before operating transfers.....	2,419,326	3,858,559	3,240,306	2,766,182	1,230,087
Operating transfers					
Transfers out.....	—	(181,495)	(189,912)	(229,970)	(168,237)
Transfers in.....	(194,063)	—	—	—	—
Total operating transfers in (out).....	(194,063)	(181,495)	(189,912)	(229,970)	(168,237)
Change in net position.....	2,225,263	3,677,064	3,050,394	2,536,212	1,061,850
Net position at beginning of year (as restated).....	56,716,710	53,039,646	49,989,252	47,453,040	46,676,247
Prior period adjustment.....	—	—	—	—	(285,058)
Net position at end of year.....	\$ 58,941,973	\$ 56,716,710	\$ 53,039,646	\$ 49,989,252	\$ 47,453,039

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

SPANISH FORK CITY, UTAH

General

The City, incorporated in 1855, covers an area of approximately 14.3 square miles and is located in the southern portion of the County. The City is located approximately eight miles south of the City of Provo, Utah. The City had 40,913 residents according to the 2019 estimate by the U.S. Census Bureau. The County is situated in the north central portion of the State. Incorporated in 1850, the County is bordered on the north by Salt Lake County, Utah and encompasses approximately 2,000 square miles of land. The County had 636,235 residents in 2019 according to the estimates by the U.S. Census Bureau, ranking the County as the second largest populated county in the State.

The City estimates it has reached 48.5% of its full “built out” of residential land and 37.3% of full buildout of commercial land.

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

Form Of Government

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

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

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

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

<u>Office</u>	<u>Person</u>	<u>Years of Service</u>	<u>Expiration of Current Term</u>
Mayor	Steve Leifson	15	January 2022
Council Member	Chad Argyle	5	January 2024
Council Member	Stacy Beck	5	January 2024
Council Member	Brandon Gordon	9	January 2024
Council Member	Mike Mendenhall	7	January 2022
Council Member	Keir A. Scoubes	11	January 2022
City Manager	Seth Perrins	16	Appointed
Assistant City Manager	Tyler Jacobson	13	Appointed
City Engineer	Chris Thompson, PE	24	Appointed
City Attorney	Vaughn Pickell, Esq	1	Appointed
Recorder/Finance Director	Kent R. Clark, CPA	30	Appointed
City Treasurer	Jordan Hales	11	Appointed

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

(Source: The City.)

Employee Workforce And Retirement System; No Post–Employment Benefits

Employee Workforce and Retirement System. The City employs approximately 212 full–time employees as of Fiscal Year 2020. The City participates in cost–sharing multiple employer defined benefit pension plans covering public employees of the State and employees of participating local government entities administered by the Utah State Retirement Systems (“URS”). The retirement system provides refunds, retirement benefits, annual cost of living adjustment and death benefits to plan members and beneficiaries in accordance with retirement statutes.

For a detailed discussion regarding retirement benefits and contributions “APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2019—Notes To The Basic Financial Statements—Note 4. Other Notes—4F. Employee Pension and Other Benefit Plans” (page A–54).

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

Risk Management

Property. The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. All real property and all vehicles, including heavy equipment, are insured through commercial policies, and injuries to employees are insured through employees’ workers compensation. Settled claims have not exceeded the City’s insurance coverage for any of the past three years. The City does carry earthquake policies. All general liability is insured through Utah Risk Management Mutual Association, a risk pool to which the City belongs, along with 15 other cities in Utah. Rights and responsibilities of member cities are governed by an interlocal risk pool agreement. The City believes its risk management policies and coverages are normal and within acceptable coverage limits for the type of services the City provides. See “APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2019—Notes To The Financial Statements—Note 4A. Risk Management” (page A–50).

Cybersecurity. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City’s systems technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage by cybersecurity incidents or cyberattacks, the City invests in multiple forms of cybersecurity and operational safeguards. Operational safeguards include a firewall/router with extensive access control lists, separate internal networks, protection of wireless access to city networks, secure authenticated virtual private network connections and anti–virus programs. Additionally, the City has two separate policies that provide cybersecurity insurance in the amount of \$500,000 cyber event annual aggregate for data restoration/owned network interruption and a \$2,000,000 aggregate, \$1,000,000 per event in excess cyber security insurance.

Investment Of Funds

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

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

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

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

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

See "APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2019—Notes To The Financial Statements—Note 3. Cash and Investments" (page A-37).

Investment of 2020 Bond Proceeds. Certain proceeds of the 2020 Bonds, for the 2020 Project, will be held by the Trustee and invested to be readily available. The 2020 Bond proceeds may also be invested in the PTIF or other available investment funds authorized under the Money Management Act.

Population

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

	<u>City</u>	<u>% Change From Prior Period</u>	<u>County</u>	<u>% Change From Prior Period</u>
2019 Estimate	40,913	17.7	636,235	23.1
2010 Census	34,691	71.3	516,564	40.2
2000 Census	20,246	79.6	368,536	39.8
1990 Census	11,272	14.7	263,590	20.9
1980 Census	9,825	34.9	218,106	58.3
1970 Census	7,284	12.5	137,776	28.8

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

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

Labor Force, Nonfarm Jobs and Wages within Utah County

	Calendar Year (1)						% change from prior year				
	2019 (2)	2018	2017	2016	2015	2014	2018-19	2017-18	2016-17	2015-16	2014-15
Civilian labor force	314,995	299,868	290,882	279,061	266,005	255,066	5.0	3.1	4.2	4.9	4.3
Employed persons.....	307,600	291,391	282,347	270,441	257,332	246,156	5.6	3.2	4.4	5.1	4.5
Unemployed persons.....	7,395	8,477	8,535	8,620	8,673	8,910	(12.8)	(0.7)	(1.0)	(0.6)	(2.7)
Total private sector (average).....	234,712	227,528	215,105	204,381	192,924	180,028	3.2	5.8	5.2	5.9	7.2
Agriculture, forestry, fishing and hunting.....	1,459	1,189	1,169	1,209	1,166	1,159	22.7	1.7	(3.3)	3.7	0.6
Mining.....	163	133	100	72	88	111	22.6	33.0	38.9	(18.2)	(20.7)
Utilities.....	286	291	326	350	289	289	-1.7	(10.7)	(6.9)	21.1	0.0
Construction.....	25,539	24,611	22,769	21,151	18,585	16,320	3.8	8.1	7.6	13.8	13.9
Manufacturing.....	19,825	19,134	18,313	17,611	17,641	17,773	3.6	4.5	4.0	(0.2)	(0.7)
Wholesale trade.....	7,116	7,152	6,748	6,408	6,715	6,222	(0.5)	6.0	5.3	(4.6)	7.9
Retail trade.....	32,974	32,931	31,761	29,879	28,092	25,411	0.1	3.7	6.3	6.4	10.6
Transportation and warehousing.....	3,548	3,519	3,339	3,085	2,899	2,607	0.8	5.4	8.2	6.4	11.2
Information.....	13,880	12,786	12,643	12,462	11,186	9,995	8.6	1.1	1.5	11.4	11.9
Finance and insurance.....	6,055	5,808	5,413	5,003	4,873	4,499	4.3	7.3	8.2	2.7	8.3
Real estate, rental and leasing.....	3,259	3,006	2,819	2,618	2,356	2,306	8.4	6.6	7.7	11.1	2.2
Professional, scientific, and technical services.....	21,846	21,332	18,472	17,256	16,407	15,217	2.4	15.5	7.0	5.2	7.8
Management of companies and enterprises.....	1,732	1,559	1,373	1,409	1,191	1,239	11.1	13.5	(2.6)	18.3	(3.9)
Admin., support, waste mgmt., remediation.....	15,907	15,106	13,922	13,228	12,306	11,159	5.3	8.5	5.2	7.5	10.3
Education services.....	23,084	24,972	25,218	24,019	23,096	22,575	-7.6	(1.0)	5.0	4.0	2.3
Health care and social assistance.....	30,423	28,590	26,648	25,540	24,307	22,958	6.4	7.3	4.3	5.1	5.9
Arts, entertainment and recreation.....	3,372	2,636	2,472	2,369	2,164	1,833	27.9	6.6	4.3	9.5	18.1
Accommodation and food services.....	19,710	18,502	17,394	16,770	15,806	14,793	6.5	6.4	3.7	6.1	6.8
Other services.....	5,989	5,462	5,375	5,146	4,913	4,710	9.6	1.6	4.5	4.7	4.3
Unclassified establishments.....	4	0	0	6	15	8		0.0	(100.0)	(60.0)	87.5
Total public sector (average).....	30,668	31,313	30,748	30,168	29,288	28,809	(2.1)	1.8	1.9	3.0	1.7
Federal.....	1,119	1,051	1,012	970	919	903	6.5	3.9	4.3	5.5	1.8
State.....	8,905	8,960	8,919	8,687	8,439	8,213	(0.6)	0.5	2.7	2.9	2.8
Local.....	20,644	21,302	20,818	20,511	19,931	19,693	(3.1)	2.3	1.5	2.9	1.2
Total payroll (in millions)(3).....	\$ 12,098	\$ 11,464	\$ 10,256	\$ 9,515	\$ 8,780	\$ 7,936	5.5	11.8	7.8	8.4	10.6
Average monthly wage.....	3,806	\$ 3,691	\$ 3,476	\$ 3,380	\$ 3,293	\$ 3,167	3.1	6.2	2.8	2.6	4.0
Average employment.....	265,380	258,841	245,853	234,548	222,212	208,836	2.5	5.3	4.8	5.6	6.4
Establishments.....	17,893	16,718	15,719	14,955	14,302	13,687	7.0	6.4	5.1	4.6	4.5

(1) Utah Department of Workforce Services.

(2) 2019, 3rd Quarter Data

(3) 2019 figure is for Q4 2018 - Q3 2019

Employment, Income, Construction (within Spanish Fork City), and Sales Taxes Within Utah County and the State of Utah--continued

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

	Calendar Year					% change from prior year			
	2019	2018	2017	2016	2015	2017-18	2016-17	2015-16	2014-15
Total Personal Income (in \$1,000's):									
Utah County.....	NA	\$ 25,460,130	\$ 23,581,109	\$ 22,100,713	\$ 20,434,016	NA	8.0	6.7	8.2
State of Utah.....	155,153,000	146,422,529	136,543,686	128,929,427	121,884,897	6.0	7.2	5.9	5.8
Total Per Capita Personal Income:									
Utah County.....	NA	40,919	38,880	37,454	35,683	NA	3.8	3.8	5.0
State of Utah.....	48,395	46,320	44,002	42,375	40,867	4.5	5.3	3.8	3.7
Median Household Income:									
Utah County.....	NA	75,296	70,461	69,568	65,425	NA	6.9	1.3	6.3
State of Utah.....	76,613	71,381	68,395	65,931	62,961	7.3	4.4	3.7	4.7

Construction within Spanish Fork City, Utah (2)

	Calendar Year					% change from prior year			
	2019	2018	2017	2016	2015	2018-19	2017-18	2016-17	2015-16
Number new dwelling units.....	286	460	341	293	220	(37.8)	34.9	16.4	33.2
New (in \$1,000's):									
Residential value.....	\$ 77,102	\$ 106,440	\$ 84,875	\$ 70,759	\$ 63,014	(27.6)	25.4	19.9	12.3
Non-residential value.....	30,060	32,540	55,233	23,590	10,427	(7.6)	(41.1)	134.1	126.2
Additions, alterations, repairs (in \$1,000's):									
Residential value.....	7,173	19,801	7,055	7,556	8,706	(63.8)	180.7	(6.6)	(13.2)
Non-residential value.....	27,995	7,403	24,861	38,266	15,122	278.2	(70.2)	(35.0)	153.0
Total construction value (in \$1,000's).....	\$ 142,330	\$ 166,184	\$ 172,024	\$ 140,171	\$ 97,269	(14.4)	(3.4)	22.7	44.1

Sales Taxes Within Spanish Fork City, Utah County and the State of Utah (3)

	Calendar Year					% change from prior year			
	2019	2018	2017	2016	2015	2018-19	2017-18	2016-17	2015-16
Gross Taxable Sales (in \$1,000's):									
Utah County.....	\$ 11,237,374	\$ 10,173,905	\$ 9,556,494	\$ 8,679,093	\$ 8,151,076	10.5	6.5	10.1	6.5
State of Utah.....	68,910,384	64,982,524	61,031,692	56,502,434	53,933,277	6.0	6.5	8.0	4.8
Spanish Fork City.....	879,560	773,866	691,175	606,002	558,560	13.7	12.0	14.1	8.5
	Fiscal Year					% change from prior year			
	2019	2018	2017	2016	2015	2018-19	2017-18	2016-17	2015-16
Local Sales and Use Tax Distribution:									
Utah County (and all cities).....	\$ 111,924,060	\$ 106,806,800	\$ 97,501,537	\$ 90,870,169	\$ 86,391,946	4.8	9.5	7.3	5.2
Spanish Fork City.....	7,975,128	7,434,913	6,633,219	6,183,282	5,571,035	7.3	12.1	7.3	11.0

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

- (3) Utah State Tax Commission.

Largest Employers

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

<u>Employer (Location)</u>	<u>Business Category</u>	<u>Range of Number of Employees</u>
<i>Major employers in the City</i>		
Utah County (Sheriff)	Public Administration	500–999
Smokey's Smokehouse Inc.	Manufacturing	500–999
Wal-Mart	Retail Trade	250–499
Nature's Sunshine Products	Pharmaceutical	250–499
He Davis Construction.	Construction	250–499
Elwood Staffing Services	Temporary Help Services	250–499
Wasatch Pallet Utah, LLC.....	Retail Trade	100–249
Costco Wholesale.....	Retail Trade	100–249
Nebo School District.	Education	100–249
Klune Industries Inc.	Manufacturing	100–249
Longview Fibre Co.	Manufacturing	100–249
General Atomics, Inc.	Aircraft Manufacturing	100–249
Maple Mountain High School.....	Education	100–249
Hydro Extrusion USA, LLC.....	Aluminum	100–249
ARO.	Supermarkets and Other Grocery	100–249
CSB Nutrition Corp.	Manufacturing	100–249
New Haven Residential Treatment Center.....	Residential Mental Health	100–249
American Leadership Academy Inc	Education Services	100–249
207 Legacy House of Spanish Fork	Continuing Care Retirement	100–249
Nebo District Office.	Education Services	100–249
Spanish Fork High.....	Education Services	100–249
Spanish Fork Junior High.....	Education Services	100–249
Spanish Fork Recreation	Education Services	100–249
<i>Major employers in the County</i>		
Brigham Young University (Provo)	Education Services	15,000–19,999
Alpine School District (northern county-wide)	Education Services	7,000–9,999
Utah Valley University (Orem).....	Education Services	7,000–9,999
State of Utah.....	State Government	5,000–6,999
Vivent, Inc.	Construction	3,000–4,000
Nebo School District (Spanish Fork)	Education Services	3,000–3,999
Utah Valley Regional Medical Center (Provo)	Health Care	3,000–3,999
Wal-Mart (county-wide).....	Retail Trade	3,000–3,999
Sykes Enterprises (Provo)	Technical Services	2,000–2,999
Young Living Essential Oils (Lehi)	Direct Selling	2,000–2,999
Doterra International (Pleasant Grove)	Direct Selling	2,000–2,999
Provo City School District (Provo)	Education Services	1,000–1,999

(Source: Utah Department of Workforce Services. Information updated March 2020.)

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Rate Of Unemployment—Annual Average

<u>Year</u>	<u>Utah County</u>	<u>State of Utah</u>	<u>United States</u>
2020 (1)	4.3%	5.0%	7.9%
2019 (2)	2.5	2.6	3.8
2018.....	2.7	3.0	3.9
2017.....	2.9	3.3	4.4
2016.....	3.5	3.4	4.9
2015.....	3.3	3.6	5.3

(1) Preliminary, subject to change. As of September 2020 (seasonally adjusted).

(2) Final yearly information has not been released.

(Source: Utah Department of Workforce Services.)

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Taxable, Fair Market And Market Value Of Property

Calendar Year	Taxable Value (1)	% Change Over Prior Year	Fair Market/ Market Value (2)	% Change Over Prior Year
2020 *	\$ 3,024,958,819	10.6	\$ 4,585,706,023	10.7
2019	2,735,499,610	14.0	4,143,306,999	14.2
2018	2,399,783,659	12.7	3,626,625,431	13.0
2017	2,128,632,793	10.9	3,208,078,362	11.7
2016	1,920,092,351	10.3	2,872,434,657	10.7

* Preliminary; subject to change. Fair Market/Market Value calculated by the Municipal Advisor.

- (1) Taxable valuation includes redevelopment agency valuation but **excludes** semi-conductor manufacturing equipment ("SCME"). The estimated redevelopment agency valuation for Calendar Year 2020 was approximately \$6.4*million; for Calendar Year 2019 was approximately \$48.9 million; for Calendar Year 2018 was approximately \$92.1 million; for Calendar Year 2017 was approximately \$81.4 million; and for Calendar Year 2016 was approximately \$71.7 million
- (2) Estimated fair market values were calculated by dividing the taxable value of primary residential property by 55%, which eliminates the 45% exemption on primary residential property granted under the Property Tax Act. Does not include market valuation for SCME.

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

Historical Summaries Of Taxable Values Of Property

	Calendar Year					
	2020		2019	2018	2017	2016
	Taxable Value*	% of T.V.	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Set by State Tax Commission (centrally assessed)						
Total centrally assessed.....	\$ 31,799,013	1.1 %	\$ 27,840,384	\$ 27,236,923	\$ 23,150,723	\$ 22,157,798
Set by County Assessor (locally assessed)						
Real property (land and buildings)						
Primary residential.....	1,907,354,916	63.1	1,720,429,433	1,499,249,235	1,319,126,443	1,163,778,011
Secondary residential.....	3,750,000	0.1	3,552,740	3,376,540	3,915,840	3,339,690
Commercial and industrial.....	760,000,000	25.1	661,335,489	560,052,816	487,549,247	465,271,219
FAA (greenbelt).....	1,000,000	0.0	1,044,188	1,230,214	1,303,053	1,315,178
Unimproved non FAA (vacant)....	134,000,000	4.4	134,169,686	134,262,407	125,754,982	106,793,447
Agricultural.....	1,400,000	0.0	1,472,800	1,423,400	1,290,000	1,208,400
Total real property.....	2,807,504,916	92.8	2,522,004,336	2,199,594,612	1,938,939,565	1,741,705,945
Personal property						
Primary mobile homes.....	225,000	0.0	224,042	224,042	195,919	195,919
Secondary mobile homes.....	0	0.0	0	0	0	0
Other business.....	185,429,890	6.1	185,430,848	172,728,082	166,346,586	156,032,689
SCME.....	0	0.0	0	0	0	0
Total personal property.....	185,654,890	6.1	185,654,890	172,952,124	166,542,505	156,228,608
Total locally assessed.....	2,993,159,806	98.9	2,707,659,226	2,372,546,736	2,105,482,070	1,897,934,553
Total taxable value.....	\$ 3,024,958,819	100.0 %	\$ 2,735,499,610	\$ 2,399,783,659	\$ 2,128,632,793	\$ 1,920,092,351
Total taxable value (1).....	\$ 3,024,958,819		\$ 2,735,499,610	\$ 2,399,783,659	\$ 2,128,632,793	\$ 1,920,092,351

* Preliminary; subject to change.

- (1) Not including taxable valuation associated with SCME.

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

DEBT STRUCTURE OF SPANISH FORK CITY, UTAH

Outstanding Water Revenue Bonded Indebtedness

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2020 (a).....	Water	\$10,685,000	June 1, 2037	\$10,685,000
2012 (1)	Water	4,041,000	June 1, 2022	1,575,000
2011 (2)	Water	2,040,000	June 1, 2032	<u>1,313,000</u>
Total principal amount of outstanding bonds				<u>\$13,573,000</u>

(a) For purposes of this OFFICIAL STATEMENT the 2020 Bonds will be considered issued and outstanding. Rated “AA–” by Standard & Poor’s Global Ratings (“S&P”), as of the date of this OFFICIAL STATEMENT.

(1) Not rated; no rating applied for. Purchased through a private placement at 2.58% per annum.

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

(Source: Municipal Advisor.)

Outstanding Sewer Revenue Bonded Indebtedness

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2020 (1)	Sewer (Green Bonds)	\$73,345,000	September 1, 2040	<u>\$73,345,000</u>

(1) Rated “AA” (BAM insured; underlying “A+”) by S&P as of the date of this OFFICIAL STATEMENT.

(Source: Municipal Advisor.)

Outstanding Sales Tax Revenue Bonded Indebtedness

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2014 (1)	Refunding	\$13,305,000	April 15, 2027	<u>\$9,920,000</u>

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

(Source: Municipal Advisor.)

Other Financial Considerations

Future issuance of debt. Other than the issuance of the 2020 Bonds (and any refunding opportunities) the City does not anticipate the issuance of any other debt within the next three years but reserves the right to issue additional bonds as needed.

Joint Ventures. The City participates in a joint venture with several other local municipal entities for electricity purposes and solid waste disposal see “APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2019—Notes To Basic Financial Statements—Note 4. Other Notes—4.C Joint Ventures—Utah Municipal Power Agency” (audit page 50) and “—Note 4. Other Notes—4.C Joint Ventures—South Utah Valley Solid Waste District” (audit page 51).

Debt Service Schedule Of Outstanding Water Revenue Bonds By Fiscal Year

Fiscal Year Ending June 30	Series 2020 \$10,685,000		Series 2012 \$4,041,000		Series 2011 \$2,040,000		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Debt Service
2019.....	-	-	\$ 739,000 (2)	\$ 79,232	\$ 95,000 (3)	\$ 28,144	\$ 834,000	\$ 107,375	\$ 941,375
2020.....	-	-	757,000 (2)	60,166	97,000 (3)	26,367	854,000	86,533	940,533
2021.....	-	\$ 215,699	777,000 (2)	40,635	99,000 (3)	24,553	876,000	280,887	1,156,887
2022.....	-	376,950	798,000 (2)	20,588	100,000 (3)	22,702	898,000	420,240	1,318,240
2023.....	\$ 515,000	376,950	-	-	102,000 (3)	20,832	617,000	397,782	1,014,782
2024.....	540,000	351,200	-	-	104,000 (3)	18,924	644,000	370,124	1,014,124
2025.....	570,000	324,200	-	-	106,000 (3)	16,980	676,000	341,180	1,017,180
2026.....	600,000	295,700	-	-	108,000 (3)	14,997	708,000	310,697	1,018,697
2027.....	625,000	265,700	-	-	110,000 (3)	12,978	735,000	278,678	1,013,678
2028.....	660,000	234,450	-	-	113,000 (3)	10,921	773,000	245,371	1,018,371
2029.....	690,000	201,450	-	-	114,000 (3)	8,808	804,000	210,258	1,014,258
2030.....	725,000	166,950	-	-	117,000 (3)	6,676	842,000	173,626	1,015,626
2031.....	765,000	130,700	-	-	119,000 (3)	4,488	884,000	135,188	1,019,188
2032.....	785,000	107,750	-	-	121,000 (3)	2,263	906,000	110,013	1,016,013
2033.....	810,000	84,200	-	-	-	-	810,000	84,200	894,200
2034.....	825,000 (1)	68,000	-	-	-	-	825,000	68,000	893,000
2035.....	840,000 (1)	51,500	-	-	-	-	840,000	51,500	891,500
2036.....	860,000	34,700	-	-	-	-	860,000	34,700	894,700
2037.....	875,000	17,500	-	-	-	-	875,000	17,500	892,500
Totals.....	<u>\$ 10,685,000</u>	<u>\$ 3,303,599</u>	<u>\$ 3,071,000</u>	<u>\$ 200,621</u>	<u>\$ 1,505,000</u>	<u>\$ 219,632</u>	<u>\$ 15,261,000</u>	<u>\$ 3,723,851</u>	<u>\$ 18,984,851</u>

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

(2) Mandatory sinking fund principal payments from a \$3,071,000, 2.58%, term bond due June 1, 2022.

(3) Mandatory sinking fund principal payments from a \$1,505,000, 1.87%, term bond due June 1, 2032.

(Source: Municipal Advisor.)

Debt Service Schedule Of Outstanding Sewer Revenue Bonds By Fiscal Year

Fiscal Year Ending June 30	Series 2020 \$73,345,000		Total Debt Service
	Principal	Interest	
2019.....	\$ -	\$ -	\$ -
2020.....	-	-	-
2021.....	-	1,390,758	1,390,758
2022.....	-	2,430,450	2,430,450
2023.....	-	2,430,450	2,430,450
2024.....	2,795,000	2,360,575	5,155,575
2025.....	2,925,000	2,217,575	5,142,575
2026.....	3,075,000	2,067,575	5,142,575
2027.....	3,250,000	1,909,450	5,159,450
2028.....	3,400,000	1,743,200	5,143,200
2029.....	3,575,000	1,568,825	5,143,825
2030.....	3,775,000	1,385,075	5,160,075
2031.....	3,975,000	1,191,325	5,166,325
2032.....	4,150,000	1,008,950	5,158,950
2033.....	4,325,000	839,450	5,164,450
2034.....	4,450,000	708,450	5,158,450
2035.....	4,525,000	623,225	5,148,225
2036.....	4,625,000	536,250	5,161,250
2037.....	4,700,000 (1)	443,000	5,143,000
2038.....	4,800,000 (1)	348,000	5,148,000
2039.....	4,900,000	251,000	5,151,000
2040.....	5,000,000	152,000	5,152,000
2041.....	5,100,000	51,000	5,151,000
Totals.....	<u>\$ 73,345,000</u>	<u>\$ 25,656,583</u>	<u>\$ 99,001,583</u>

(1) Mandatory sinking fund principal payments from a \$9,700,000, 2.00%, term bond due September 1, 2038.

(Source: Municipal Advisor.)

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

Fiscal Year Ending June 30	Series 2014 \$13,305,000		Total Debt Service
	Principal	Interest	
2019.....	\$ 1,100,000	\$ 566,750	\$ 1,666,750
2020.....	1,170,000	522,750	1,692,750
2021.....	1,225,000	464,250	1,689,250
2022.....	1,280,000	403,000	1,683,000
2023.....	1,335,000	339,000	1,674,000
2024.....	1,415,000	272,250	1,687,250
2025.....	1,490,000	201,500	1,691,500
2026.....	1,570,000	127,000	1,697,000
2027.....	1,605,000	64,200	1,669,200
Totals.....	<u>\$12,190,000</u>	<u>\$ 2,960,700</u>	<u>\$ 15,150,700</u>

(Source: The Municipal Advisor.)

Overlapping and Underlying General Obligation Debt

<u>Taxing Entity</u>	<u>2020 Taxable Value (1)</u>	<u>City's Portion of Tax- able Value</u>	<u>City's Per- centage</u>	<u>Entity's General Obligation Debt</u>	<u>City's Portion of G.O. Debt</u>
<i>Overlapping:</i>					
State of Utah	\$340,706,436,091	\$3,024,958,819	0.9%	\$2,452,055,000	\$21,823,290
CUWCD (2).....	201,846,624,177	3,024,958,819	1.5	193,690,000	2,905,350
Nebo School District	11,331,181,528	3,024,958,819	26.7	178,605,000	<u>47,687,535</u>
Total overlapping					<u>72,416,175</u>
<i>Underlying:</i>					
Total underlying					<u>0</u>
Total overlapping and underlying general obligation debt					<u>\$72,416,175</u>
Total <i>overlapping</i> general obligation debt (excluding the State) (3)					\$50,592,885
Total <i>direct</i> general obligation bonded indebtedness					<u>0</u>
Total <i>direct and overlapping</i> general obligation debt (excluding the State) (3).....					<u>\$50,592,885</u>

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

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

(Source: Municipal Advisor.)

Debt Ratios Regarding General Obligation Debt

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

	<u>To 2020 Estimated Taxable Value (1)</u>	<u>To 2020 Estimated Market Value (2)</u>	<u>To 2019 Population Estimate Per Capita (3)</u>
<i>Direct</i> general obligation debt	0.00%	0.00%	\$ 0
<i>Direct and overlapping</i> general obligation debt.....	1.67	1.10	1,237

- (1) Based on an estimated 2020 Taxable Value of \$3,024,958,819, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (2) Based on an estimated 2020 Market Value of \$4,585,706,023, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (3) Based on 2019 population estimate of 40,913 by the U.S. Census Bureau.

(Source: Municipal Advisor.)

General Obligation Legal Debt Limit And Additional Debt Incurring Capacity

The general obligation indebtedness of the City is limited by State law to 12% of the fair market value of taxable property in the City (4% for general purposes and an additional 8% for sewer, water and electric purposes) as computed from the *last equalized property tax assessment roll* for State or County purposes prior to incurring the debt. The legal debt limit and additional debt incurring capacity of the City are based on the estimated fair market value for 2019 and the calculated valuation value from 2019 uniform fees, and are calculated as follows:

2019“Estimated Fair Market Value”	\$4,179,850,490
2019 valuation from Uniform Fees (1).....	<u>11,952,010</u>
2019 “Estimated Fair Market Value for Debt Incurring Capacity”	<u>\$4,191,802,500</u>

	8% Sewer, Water and Electric	4% Other Purposes	12% Total
“Fair Market Value” x .08	\$353,344,200	\$ 0	\$353,344,200
“Fair Market Value” x .04	<u>0</u>	<u>167,672,100</u>	<u>167,672,100</u>
Total debt incurring capacity	353,344,200	167,672,100	503,016,300
Less: current outstanding general obligation debt	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>
Additional debt incurring capacity	<u>\$353,344,200</u>	<u>\$167,672,100</u>	<u>\$503,016,300</u>

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

(Source: Municipal Advisor.)

No Defaulted Obligations

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

FINANCIAL INFORMATION REGARDING SPANISH FORK CITY, UTAH

Potential Impact of the Coronavirus

The recent outbreak of the novel strain of the coronavirus and spread of coronavirus disease 2019 (“COVID–19”), which has been designated a global pandemic by the World Health Organization, is negatively impacting local, state and global economies as governments, business and citizens react to, plan for, and try to prevent or slow further transmission of the virus. Financial markets, including the stock markets in the United States and globally, have seen significant recent volatility and declines that have been attributed to COVID–19 concerns. On March 6, 2020, as part of the State’s response to address the global disease outbreak, the Governor declared a state of emergency. On March 13, 2020, a national emergency was declared in the United States.

On March 24, 2020 the Governor of the State, in coordination with the State legislature, local governments, public health experts, and business and community leaders, released a comprehensive plan for the State’s health and economic recovery. This plan included three phases of response: urgent, stabilization, and recovery. On April 17, 2020, the Governor released an updated version of the plan, which addresses transitioning to the stabilization phase, including a color-coded health guidance system for business to follow as the economy is reactivated. On May 1, 2020, The Governor moved the State from the “red” or high-risk phase to the “orange” or moderate phase category. On May 23, 2020 the Governor moved the State from “orange” to “yellow” or low risk phase with the exception of two cities and three counties. Developments regarding COVID–19 continue to occur and the extent to which COVID–19 will impact the State and the City in the future is uncertain and cannot be predicted. Public health data and other information related to the State’s response is published at coronavirus.utah.gov. This information is prepared by parties other than the City and the City makes no representation as to its accuracy.

The City has been proactive in relation to the potential impact of COVID–19. The City has formed an internal task force which meets weekly to evaluate the information received from the State leadership. The City task force is also communicating information to the community and City employees. The City is monitoring many revenue streams funding City operations. The City Council held a budget public hearing on April 7 and modified the City budget anticipating a substantial decline in sales tax. Many recreation programs were cancelled, and funds refunded to participants. *However, sales tax numbers for the City for March 2020 through June 2020, have consistently been over 20% higher month over month compared to 2019. While some stores and restaurants were temporarily closed, other stores such as the City’s regional grocery and home improvements stores had higher than average sales figures for the months of April through June.*

During this same time the City worked with utility customers who might be late paying their City utility bills. The customers who were late paying their utility bill, were not charged the normal late fee. This policy was followed until the City was changed to the Health Code of Yellow, at which time the City allowed payment arrangements for customers who could not pay their utility bill in full.

There has been minimal impact on the City's utility revenue as a result of COVID-19 with utilities revenues continuing at a steady and normal pace over the past several months. There was a minimal increase in the number of shut-off tags and those customers actually being shut-off.

Significant developments regarding COVID-19 continue to occur daily and the extent to which COVID-19 will impact the City in the future is highly uncertain and cannot be predicted. However, the City does not expect the various aspects of COVID-19 to materially adversely impact the City's ability to pay the principal of and interest on the 2020 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2020 BONDS" above.

Fund Structure; Accounting Basis

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

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

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

Budget And Budgetary Accounting

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

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

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

Financial Controls

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

Sources Of General Fund Revenues

Set forth below are brief descriptions of the various sources of revenues available to the City's General Fund. The percentage of total General Fund revenues represented by each source is based on the City's audited Fiscal Year 2019 period total General Fund revenues were \$22,624,265.

Taxes—Approximately 58.2% (or \$13,169,906) of General Fund revenues are from taxes.

Charges for Services—Approximately 15.3% (or \$3,459,154) of General Fund revenues are from charges for services.

Sundry Revenue—Approximately 15.1% (or \$3,415,849) of General Fund revenues are from sundry revenue.

Licenses and Permits—Approximately 7.4% (or \$1,670,463) of General Fund revenues are collected from licenses, permits and other revenues.

Interest Income—Approximately 1.9% (or \$420,263) of General Fund revenues are collected from interest income.

Intergovernmental Services—Approximately 1.5% (or \$332,067) of General Fund revenues are intergovernmental services.

Fines and Forfeitures—Less than 1% (or \$156,563) of General Fund revenues are collected from fines and forfeitures.

Financial Summaries

The summaries contained herein were extracted from the City's financial statements for Fiscal Years 2015 through 2019. The summaries themselves have not been audited.

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Spanish Fork City

Statement of Net Position—Primary Government

(This summary has not been audited)

	As of June 30				
	2019	2018	2017	2016	2015
Assets and deferred outflows of resources					
Assets					
Cash and cash equivalents.....	\$ 58,150,580	\$ 50,040,207	\$ 47,155,496	\$ 41,447,713	\$ 39,156,849
Capital assets (not being depreciated)					
Land.....	26,049,081	25,214,773	17,952,337	16,853,037	15,628,053
Water shares.....	6,067,361	5,900,448	5,238,467	5,131,345	4,980,946
Receivables (net of allowance).....	8,471,701	8,394,938	7,676,568	7,405,841	6,908,801
Restricted cash and cash equivalents.....	7,556,067	9,733,850	16,129,313	10,707,352	12,541,007
Inventory.....	1,880,828	1,906,328	1,935,465	1,648,437	1,383,080
Equity in joint venture.....	1,681,483	1,572,779	7,087,895	6,930,674	6,024,134
Prepaid expenses.....	59,735	33,850	31,659	29,132	33,208
Net pension asset.....	—	4,008	2,064	4,041	7,896
Capital assets (net of accumulated depreciation)					
Improvements other than buildings.....	180,457,867	164,700,003	139,134,839	133,886,979	127,721,262
Infrastructure.....	41,974,503	40,245,170	40,972,617	38,292,374	35,023,912
Buildings.....	24,401,883	25,552,997	24,599,232	25,329,886	25,434,635
Equipment.....	9,098,297	8,532,227	8,731,573	8,759,717	7,727,872
Total assets.....	365,849,386	341,831,578	316,647,525	296,426,528	282,571,655
Deferred outflows of resources					
Deferred outflows of resources relating to pensions	4,775,515	4,700,683	4,250,791	3,348,325	1,081,824
Total assets and deferred outflows of resources.....	<u>\$ 370,624,901</u>	<u>\$ 346,532,261</u>	<u>\$ 320,898,316</u>	<u>\$ 299,774,853</u>	<u>\$ 283,653,479</u>
Liabilities, deferred inflows of resources and net position					
Liabilities					
Noncurrent liabilities					
Due in more than one year.....	\$ 12,808,000	\$ 14,873,405	\$ 16,850,674	\$ 18,694,000	\$ 21,587,409
Net pension liability.....	9,559,162	5,545,730	7,581,684	6,468,454	4,651,639
Due within one year.....	2,065,405	1,977,269	1,969,874	2,498,409	3,219,835
Developer escrows and deposits.....	7,811,193	8,288,307	9,272,219	5,493,067	7,715,633
Compensated absences.....	2,852,525	2,682,483	2,424,390	2,275,462	2,036,474
Accounts payable.....	2,689,841	2,597,595	3,185,988	2,533,534	3,348,542
Deferred revenue.....	970,080	973,882	—	—	—
Bond interest payable.....	246,683	277,344	130,456	141,887	164,011
Connectors agreement.....	—	—	—	—	36,942
Total liabilities.....	<u>39,002,889</u>	<u>37,216,015</u>	<u>41,415,285</u>	<u>38,104,813</u>	<u>42,760,485</u>
Deferred inflows of resources					
Deferred property tax revenue.....	2,561,190	2,131,081	1,879,624	1,803,092	1,697,154
Relating to pensions.....	291,228	3,596,829	1,096,738	804,735	744,595
Total deferred inflows of resources.....	<u>2,852,418</u>	<u>5,727,910</u>	<u>2,976,362</u>	<u>2,607,827</u>	<u>2,441,749</u>
Net position					
Net investments in capital assets.....	273,306,103	253,416,323	217,844,316	207,018,954	192,357,625
Unrestricted.....	50,644,463	45,102,736	51,574,935	46,956,516	40,741,218
Restricted for					
Redevelopment agency.....	2,859,149	1,976,351	3,455,189	3,038,863	2,331,156
Impact fees.....	1,187,223	2,349,857	2,680,878	1,266,897	1,357,137
Debt service.....	533,591	504,004	490,359	486,520	487,524
Bond requirements.....	239,065	239,065	155,612	86,798	785,504
Class C roads.....	—	—	305,380	202,661	150,458
Water rights.....	—	—	—	5,004	240,623
Total net position.....	<u>328,769,594</u>	<u>303,588,336</u>	<u>276,506,669</u>	<u>259,062,213</u>	<u>238,451,245</u>
Liabilities, deferred inflows of resources and net position.....	<u>\$ 370,624,901</u>	<u>\$ 346,532,261</u>	<u>\$ 320,898,316</u>	<u>\$ 299,774,853</u>	<u>\$ 283,653,479</u>

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

Spanish Fork City

Statement of Activities—Primary Government

(This summary has not been audited)

	Net (Expense) Revenues and Changes in Net Assets				
	Fiscal Year Ended June 30				
	2019	2018	2017	2016	2015
Primary government					
Governmental activities					
General government.....	\$ 2,732,113	\$ 2,025,998	\$ 2,216,815	\$ 2,139,801	\$ 2,050,446
Interest on long-term debt.....	(561,213)	(576,584)	(605,317)	(656,670)	(988,494)
Parks, recreation and public property.....	(2,156,106)	(2,637,375)	(1,668,554)	(791,756)	(2,457,178)
Public works.....	(2,869,530)	(7,556,460)	(3,189,797)	(2,874,962)	(2,271,038)
Public safety.....	(3,966,717)	(5,499,293)	(4,943,054)	(4,452,073)	(4,717,387)
Total governmental activities.....	(6,821,453)	(14,243,714)	(8,189,907)	(6,635,660)	(8,383,651)
Business-type activities					
Storm drainage.....	6,698,039	9,695,627	1,451,748	1,672,148	1,012,494
Electric.....	5,448,421	4,875,179	5,611,687	6,797,771	4,246,782
Water.....	2,530,247	3,923,991	3,129,581	2,799,771	1,212,761
Sewer.....	1,416,812	2,421,812	1,848,351	2,931,107	1,220,329
Garbage.....	137,485	454,997	111,159	(1,220)	145,125
Gun club.....	(19,807)	(11,733)	10,030	(14,479)	(22,957)
Total business-type activities.....	16,211,197	21,359,873	12,162,556	14,185,098	7,814,534
Total primary government.....	9,389,744	7,116,159	3,972,649	7,549,438	(569,117)
General revenues					
Sales tax.....	10,278,030	9,648,329	8,813,172	8,281,976	7,559,036
Property taxes.....	3,467,262	3,108,976	2,845,772	2,928,610	2,768,317
Unrestricted investment earnings.....	1,404,372	1,029,269	656,059	394,808	577,237
Other taxes.....	458,925	488,995	511,589	516,279	571,081
Joint venture gain (loss).....	108,704	166,699	157,221	—	134,756
Gain on sale of capital assets.....	74,221	25,796	487,991	33,318	94,848
Contributed assets.....	—	5,497,446	—	—	—
Joint venture gain (loss).....	—	—	—	906,540	—
Transfers.....	—	—	—	—	(244,999)
Total general revenues and transfers...	15,791,514	19,965,510	13,471,804	13,061,531	11,460,276
Change in net position.....	25,181,258	27,081,669	17,444,453	20,610,969	10,891,159
Net position—beginning.....	303,588,336	276,506,667	259,062,214	238,451,245	232,489,680
Prior period adjustment.....	0	0	0	0	(4,929,594)
Net position—ending.....	<u>\$ 328,769,594</u>	<u>\$ 303,588,336</u>	<u>\$ 276,506,667</u>	<u>\$ 259,062,214</u>	<u>\$ 238,451,245</u>

This report is presented in summary format concerning the single item of “Net (Expense) Revenue and Changes in Net Assets” and is not intended to be complete.

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

Spanish Fork City

Balance Sheet—General Fund

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2019	2018	2017	2016	2015
Assets					
Cash and cash equivalents.....	\$ 7,847,543	\$ 7,544,777	\$ 6,186,258	\$ 5,499,020	\$ 4,557,392
Receivables (net of allowance)					
Tax.....	4,498,860	4,188,469	3,585,515	3,349,818	3,049,068
Restricted assets					
Cash and cash equivalents.....	2,485,039	5,449,295	10,699,515	5,560,361	7,551,380
Due from other funds.....	340,384	58,955	110,243	1,415,124	1,307,546
Inventory.....	77,932	92,347	74,003	78,274	71,403
Prepaid expense.....	59,606	33,720	31,530	29,005	33,078
Equity in joint venture.....	—	—	79,626	79,626	79,626
Total assets.....	<u>\$ 15,309,364</u>	<u>\$ 17,367,563</u>	<u>\$ 20,766,690</u>	<u>\$ 16,011,228</u>	<u>\$ 16,649,493</u>
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Developer escrow.....	\$ 4,726,738	\$ 5,449,295	\$ 6,438,105	\$ 3,663,565	\$ 6,193,399
Final inspection deposit.....	1,490,108	1,266,992	1,470,298	897,516	621,296
Deferred revenue.....	970,080	973,882	—	—	—
Accounts payable and accrued liabilities..	969,238	973,476	1,993,194	1,159,593	1,147,034
Payroll payable.....	67,608	389,906	344,686	553,687	422,009
Due to other funds.....	—	—	—	264,450	9,250
Total liabilities.....	<u>8,223,772</u>	<u>9,053,551</u>	<u>10,246,283</u>	<u>6,538,811</u>	<u>8,392,988</u>
Deferred inflows of resources					
Deferred property tax revenue.....	<u>2,507,131</u>	<u>2,082,259</u>	<u>1,838,811</u>	<u>1,776,057</u>	<u>1,697,154</u>
Total deferred inflows of resources..	<u>2,507,131</u>	<u>2,082,259</u>	<u>1,838,811</u>	<u>1,776,057</u>	<u>1,697,154</u>
Fund balances					
Undesignated.....	3,911,725	4,126,798	5,823,247	6,856,775	5,767,897
Restricted for					
Impact fees.....	607,130	2,071,235	2,441,813	528,293	528,292
Class C roads.....	—	—	305,380	202,661	150,458
Nonspendable.....	59,606	33,720	111,156	108,631	112,704
Total fund balances.....	<u>4,578,461</u>	<u>6,231,753</u>	<u>8,681,596</u>	<u>7,696,360</u>	<u>6,559,351</u>
Total liabilities and fund balances....	<u>\$ 15,309,364</u>	<u>\$ 17,367,563</u>	<u>\$ 20,766,690</u>	<u>\$ 16,011,228</u>	<u>\$ 16,649,493</u>

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

Spanish Fork City

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2019	2018	2017	2016	2015
Revenues					
Taxes.....	\$ 13,169,906	\$ 12,336,801	\$ 11,427,758	\$ 10,806,564	\$ 10,023,257
Charges for services.....	3,459,154	3,321,783	3,062,714	3,011,934	2,952,792
Sundry revenue.....	3,415,849	2,498,245	3,152,437	2,150,501	2,134,513
Licenses and permits.....	1,670,463	1,563,096	1,424,546	1,309,863	1,078,090
Interest income.....	420,263	306,764	203,047	138,336	90,761
Intergovernmental revenues.....	332,067	317,129	1,560,858	1,238,486	1,200,641
Fines and forfeitures.....	156,563	148,008	163,447	160,706	155,529
Total revenues.....	<u>22,624,265</u>	<u>20,491,826</u>	<u>20,994,807</u>	<u>18,816,390</u>	<u>17,635,583</u>
Expenditures					
Current					
Public safety.....	8,200,539	7,329,539	6,606,249	6,100,649	6,223,649
Public works.....	7,725,080	4,614,809	5,861,506	6,450,083	4,873,397
General government.....	5,793,403	5,349,931	4,662,307	4,215,285	3,995,066
Parks, recreation and public property.....	5,284,363	5,555,274	4,927,851	4,564,135	4,230,654
Total expenditures.....	<u>27,003,385</u>	<u>22,849,553</u>	<u>22,057,913</u>	<u>21,330,152</u>	<u>19,322,766</u>
Excess revenues over (under) expenditures.....	<u>(4,379,120)</u>	<u>(2,357,727)</u>	<u>(1,063,106)</u>	<u>(2,513,762)</u>	<u>(1,687,183)</u>
Other financing sources (uses)					
Indirect services.....	3,849,617	3,315,940	2,956,532	2,671,028	2,346,405
Impact fees.....	1,793,370	1,577,867	2,049,503	1,103,012	773,174
Transfers in.....	1,531,895	1,074,070	1,370,914	1,692,095	1,255,482
Sale of fixed assets.....	74,221	—	555,696	28,951	1,524
Transfers out.....	<u>(4,523,275)</u>	<u>(6,059,992)</u>	<u>(4,884,301)</u>	<u>(1,844,315)</u>	<u>(512,000)</u>
Total other financing sources (uses)...	<u>2,725,828</u>	<u>(92,115)</u>	<u>2,048,344</u>	<u>3,650,771</u>	<u>3,864,585</u>
Excess of revenues and other sources					
over (under) expenditures and other uses.....	<u>(1,653,292)</u>	<u>(2,449,842)</u>	<u>985,238</u>	<u>1,137,009</u>	<u>2,177,402</u>
Fund balance—beginning of year (restated).....	<u>6,231,753</u>	<u>8,681,595</u>	<u>7,696,360</u>	<u>6,559,351</u>	<u>4,381,949</u>
Fund balance—end of year.....	<u>\$ 4,578,461</u>	<u>\$ 6,231,753</u>	<u>\$ 8,681,598</u>	<u>\$ 7,696,360</u>	<u>\$ 6,559,351</u>

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

Sales And Use Taxes; Franchise Taxes

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

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

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

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

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

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

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

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

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

LEGAL MATTERS

Absence Of Litigation Concerning The 2020 Bonds

On the date of the execution and delivery of the 2020 Bonds, certificates will be delivered by the City to the effect that to the knowledge of the City, there is no action, suit, proceeding or litigation pending or threatened against the City or the operation of the System, which in any way materially questions or affects the validity or enforceability of the 2020 Bonds or any proceedings or transactions relating to their authorization, execution, authentication, marketing, sale or delivery or which materially adversely affects the existence or powers of the City.

A non-litigation opinion issued by Vaughn Pickell, City Attorney, dated the date of closing, will be provided stating, among other things, that there is not now pending, or to his knowledge threatened, any action, suit, proceeding, inquiry, or any other litigation or investigation, at law or in equity, before or by any court, public board or body, challenging the creation, organization or existence of the City, or the ability of the City, or its respective officers to authenticate, execute or deliver the 2020 Bonds or such other documents as may be required in connection with the issuance and sale of the 2020 Bonds, or to comply with or perform their respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the 2020 Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the 2020 Bonds are issued, the legality of the purpose for which the 2020 Bonds are issued, or the validity of the 2020 Bonds or the issuance and sale thereof.

General

The authorization and issuance of the 2020 Bonds are subject to the approval of Gilmore & Bell P.C., Bond Counsel to the City. Certain legal matters will be passed upon for the City by City Attorney, Vaughn Pickell. Certain matters regarding this OFFICIAL STATEMENT will be passed on for the City by Gilmore & Bell P.C. The approving opinion of Bond Counsel will be delivered with the 2020 Bonds. A copy of the opinion of Bond Counsel is set forth in “APPENDIX C—FORM OF OPINION OF BOND COUNSEL.”

The employment of Bond Counsel is limited to the review of the transcripts of legal proceedings authorizing the issuance of the 2020 Bonds and to the issuance of the legal opinion, in conventional form, relating solely to the validity of the 2020 Bonds pursuant to such authority and the excludability of interest on the 2020 Bonds for income tax purposes as described above. Except for said legal matters, which will be specifically covered in its opinion, Bond Counsel has assumed no responsibility for the accuracy or completeness of any information furnished to any person in connection with or any offer or sale of the 2020 Bonds in the OFFICIAL STATEMENT or otherwise.

The various legal opinions to be delivered concurrently with the delivery of the 2020 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

The following is a summary of the material federal and State of Utah income tax consequences of holding and disposing of the 2020 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 2020 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 2020 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 2020 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 2020 Bonds:

Federal Tax Exemption. The interest on the 2020 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes.

Alternative Minimum Tax. Interest on the 2020 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

State of Utah Tax Exemption. The interest on the 2020 Bonds is exempt from State of Utah individual income taxes.

Bond Counsel's opinions are provided as of the date of the original issue of the 2020 Bonds, subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the 2020 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 2020 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the 2020 Bonds.

No Other Opinion. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the 2020 Bonds, except as expressly provided herein. Purchasers of the 2020 Bonds should consult their tax advisors as to the applicability of these tax consequences and other income tax consequences of the purchase, ownership and disposition of the 2020 Bonds, including the possible application of state, local, foreign and other tax laws.

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a 2020 Bond over its issue price. The issue price of a 2020 Bond is generally the first price at which a substantial amount of the 2020 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 2020 Bond during any accrual period generally equals (1) the issue price of that 2020 Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that 2020 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 2020 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 2020 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 2020 Bond over its stated redemption price at maturity. The issue price of a 2020 Bond is generally the first price at which a substantial amount of the 2020 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 2020 Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the 2020 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 2020 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 2020 Bond, an owner of the 2020 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 2020 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the 2020 Bond. To the extent a 2020 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 2020 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 2020 Bonds, and to the proceeds paid on the sale of the 2020 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 2020 Bonds should be aware that ownership of the 2020 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 2020 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of 2020 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 2020 Bonds, including the possible application of state, local, foreign and other tax laws.

CERTAIN INVESTMENT CONSIDERATIONS

The purchase of the 2020 Bonds involves certain investment risks that are discussed throughout this OFFICIAL STATEMENT. No prospective purchaser of the 2020 Bonds should make a decision to purchase any of the 2020 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 2020 Bonds and any other Bonds hereafter issued pursuant to the Indenture are secured equally and ratably by a pledge of (i) the Net Revenues and (ii) moneys in funds and accounts held by the Trustee under the Indenture (except the Rebate Fund). Future economic conditions, weather conditions, the demand for water services within the City and the surrounding areas, economic and employment trends and events, demographic changes, changes in federal and state policies and regulations, including environmental policies and regulations, and other factors may adversely affect the future financial condition of the Water System, and, consequently, the availability of Net Revenues. No assurance can be made that the Net Revenues of the Water System will be realized by the City in amounts sufficient to pay debt service on the 2020 Bonds when due.

Operation Of The Water System

In order for the City to make timely payment of the principal and interest requirements of the 2020 Bonds and to meet its other obligations under the Indenture, it will be necessary for the City to manage, operate and maintain the Water 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 Water System is subject to the requirements of various governmental rules and regulations and the Water System must be operated in compliance with those requirements. In the event that the Water 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 Water System develops operational problems, Operation and Maintenance Expenses may need to be reduced or rates for the Water 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 Water System (and to pay debt service on the 2020 Bonds), it may be necessary to increase rates for the Water System. The City has covenanted in the Indenture that it will ensure that the rates for all services supplied by the Water 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 Water System, and to provide Net Revenues for each Bond Fund Year which when added to Other Available Funds shall equal not less than 125% of the Aggregate Annual Debt Service Requirement for such Bond Fund Year plus an amount sufficient to fund the Debt Service Reserve Fund in the time, rate and manner specified in the Indenture; provided, however, that pursuant to State law such rates must be reasonable rates for the type, kind and character of the service rendered. Furthermore, the City may decide not to make any rate increases due to political, feasibility or other concerns. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2020 BONDS—Rate Covenant” above.

No Debt Service Reserve Fund For The 2020 Bonds

Upon the issuance of the 2020 Bonds there will be no funding of an account in the Debt Service Reserve Fund with respect to the 2020 Bonds.

Destruction Of The Water System

The Indenture requires that the City, in its operation of the Water 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 Water System may prevent the City from providing water service to some or all of its customers. In such event, the Net Revenues may decrease.

Climate Change Risk

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

Natural Disasters And Global Health Emergencies

Natural disasters (include earthquakes, mudslides, wildfires/forest fires, heat waves, floods, windstorms, droughts and avalanches) and continued, or future, global health emergencies are possible affecting the State, the County and the City.

The State is in a region of seismic activity subject to earthquakes in varying strengths. The State has identified major geologic faults running throughout the State and the most recent major earthquake occurred in March 2020 in the Township of Magna, Utah (near Salt Lake City, Utah and approximately 40 miles west of the City), measuring 5.7 on the Richter scale. Smaller earthquakes have occurred since. Newer building codes throughout the State, County and City include seismic strengthening of buildings.

Certain areas of the State have experienced drought conditions for at last part of the year in each of the last five years. The State has experienced large wildfire/forest fire seasons in which air quality across the State has been negatively impacted (including diminished air quality from wildfires/forest fires located outside the State from drifting air currents). Wildfires/forest fires can impact the State's, the County's and the City's economy, cause repository health problems, loss of infrastructure, homes and property and destroying forestland, wildlife habitat and its resources.

MISCELLANEOUS

Bond Ratings

As of the date of this OFFICIAL STATEMENT, the 2020 Bonds are expected to be rated "AA-" by S&P. An explanation of the rating may be obtained from S&P. The City did not directly apply to Moody's Investors Service, Inc. or Fitch Ratings for a rating on the 2020 Bonds.

Such rating does not constitute a recommendation by the rating agency to buy, sell or hold the 2020 Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance that the rating given the 2020 Bonds will be maintained for any period of time or that the 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 2020 Bonds.

Trustee

The obligations and duties of the Trustee are described in the Indenture and the Trustee has undertaken only those obligations and duties that are expressly set out in the Indenture. The Trustee has not independently passed upon the validity of the 2020 Bonds, the security therefor, the adequacy of the provisions for payment thereof or the exclusion from gross income

for federal tax purposes of the interest on the 2020 Bonds. The Trustee may resign or be removed or replaced as provided in the Indenture. See “APPENDIX B—AMENDED AND RESTATED GENERAL INDENTURE OF TRUST.”

Municipal Advisor

The City has entered into an agreement with the Municipal Advisor whereunder the Municipal Advisor provides financial recommendations and guidance to the City with respect to preparation for sale of the 2020 Bonds, timing of sale, taxable and tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the 2020 Bonds. The Municipal Advisor has read and participated in the drafting of certain portions of this OFFICIAL STATEMENT and has supervised the completion and editing thereof. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the OFFICIAL STATEMENT, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information, and the Municipal Advisor makes no guaranty or warranty respecting the accuracy and completeness of the OFFICIAL STATEMENT or any other matter related to the OFFICIAL STATEMENT.

Independent Auditors

The basic financial statements of the City as of June 30, 2019, included in this OFFICIAL STATEMENT, has been audited by Larson & Company, PC, Certified Public Accountants, Spanish Fork City, Utah (“Larson & Company”), as stated in their report in See “APPENDIX A—BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2019.”

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

Additional Information

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

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

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

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

Spanish Fork City, Utah

APPENDIX A

BASIC FINANCIAL STATEMENTS OF SPANISH FORK CITY, UTAH FOR FISCAL YEAR 2019

The basic financial statements of the City are contained herein. *The City's financial statements for Fiscal Year 2020 must be completed under State law by November 30, 2020.*

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**SPANISH FORK CITY, UTAH
INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

**SPANISH FORK CITY, UTAH
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Independent Auditor's Report

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

Mayor and Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, Utah, (the "City") as of and for the year ended June 30, 2019, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, as of June 30, 2019, and the respective changes in financial position, the budgetary comparison for the general fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2019 on our consideration of Spanish Fork City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah
December 6, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Spanish Fork City, we offer readers of Spanish Fork City's financial statements this narrative overview and analysis of the financial activities of Spanish Fork City for the fiscal year ended **June 30, 2019**. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position of Spanish Fork City increased **\$25,181,258** to **\$328,769,594**. The governmental net position increased by **\$8,010,349** and the business-type net position increased by **\$15,840,987**.
- The total net position of **\$328,769,594** is made up of **\$273,306,103** in capital assets net of related debt and **\$55,463,491** in other net position.
- The General Fund (the primary operating fund) had a decrease in its fund balance of **\$1,653,292**.
- The City's total long-term debt decreased by **\$1,977,269** during the current fiscal year.

REPORTING THE CITY AS A WHOLE

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

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

- *The statement of net position* presents information on all of Spanish Fork City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Spanish Fork City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and

expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Spanish Fork City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on as indicated in the table of contents of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund. The balance of the governmental funds are determined to be non-major and are included in the combining statements within this report.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Spanish Fork City, assets exceed liabilities by **\$328,769,594**.

By far the largest portion of Spanish Fork City's net position **\$273,306,103 or 83%** reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's net position.

Spanish Fork City's Net position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	25,022,975	20,107,422	52,777,419	51,578,538	77,800,394	71,685,960
Capital assets	118,132,884	114,956,368	169,916,108	155,189,250	288,048,992	270,145,618
Total assets	143,155,859	135,063,790	222,693,527	206,767,788	365,849,386	341,831,578
Deferred outflows - pension	3,200,845	3,143,395	1,574,670	1,557,288	4,775,515	4,700,683
Total deferred outflows of resources	3,200,845	3,143,395	1,574,670	1,557,288	4,775,515	4,700,683
Total Assets and Deferred outflows	146,356,704	138,207,185	224,268,197	208,325,076	370,624,901	346,532,261
Other liabilities	16,842,383	15,104,700	7,287,101	5,260,641	24,129,484	20,365,341
Long-term liabilities outstanding	11,131,405	12,274,674	3,742,000	4,576,000	14,873,405	16,850,674
Total liabilities	27,973,788	27,379,374	11,029,101	9,836,641	39,002,889	37,216,015
Deferred property tax revenue	2,507,131	2,082,259	54,059	48,822	2,561,190	2,131,081
Deferred inflows - pension	195,198	2,405,236	96,030	1,191,593	291,228	3,596,829
Total deferred inflows of resources	2,702,329	4,487,495	150,089	1,240,415	2,852,418	5,727,910
Total Liabilities and Deferred inflows	30,676,117	31,866,869	11,179,190	11,077,056	41,855,307	42,943,925
Net Position:						
Invested in capital assets, net of related debt	106,892,930	102,564,008	166,413,173	150,852,315	273,306,103	253,416,323
Restricted	3,999,870	4,551,590	819,158	517,687	4,819,028	5,069,277
Unrestricted	4,787,787	(775,282)	45,856,676	45,878,018	50,644,463	45,102,736
Total Net Position	115,680,587	106,340,316	213,089,007	197,248,020	328,769,594	303,588,336

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	15,773,449	11,692,870	55,906,642	49,443,812	71,680,091	61,136,682
Operating grants and contribs	332,067	317,129	-	-	332,067	317,129
Capital grants and contribs	6,728,109	2,107,358	12,669,057	20,180,034	19,397,166	22,287,392
General revenues:						
Property taxes	3,467,262	3,108,976	-	-	3,467,262	3,108,976
Sales and Use Tax	10,278,030	9,648,329	-	-	10,278,030	9,648,329
Other taxes	458,925	488,995	-	-	458,925	488,995
Unrestricted investment earnings	494,394	373,421	909,978	655,848	1,404,372	1,029,269
Joint Venture Gain (Loss)	-	-	108,704	166,699	108,704	166,699
Contributed Assets	-	5,497,446	-	-	-	5,497,446
Gain on Sale of Capital Assets	74,221	25,796	-	-	74,221	25,796
Total revenues	<u>37,606,457</u>	<u>33,260,320</u>	<u>69,594,381</u>	<u>70,446,393</u>	<u>107,200,838</u>	<u>103,706,713</u>
Expenses:						
General government	6,489,524	5,597,155	-	-	6,489,524	5,597,155
Public safety	8,519,129	7,711,417	-	-	8,519,129	7,711,417
Public Works	7,804,269	8,085,951	-	-	7,804,269	8,085,951
Parks and recreation	6,280,943	6,389,964	-	-	6,280,943	6,389,964
Operating Expenses (Business Type)			52,364,502	48,263,973	52,364,502	48,263,973
Interest Expense	561,213	576,584	-	-	561,213	576,584
Total expenses	<u>29,655,078</u>	<u>28,361,071</u>	<u>52,364,502</u>	<u>48,263,973</u>	<u>82,019,580</u>	<u>76,625,044</u>
Increase in Net Position before transfers	<u>7,951,379</u>	<u>4,899,249</u>	<u>17,229,879</u>	<u>22,182,420</u>	<u>25,181,258</u>	<u>27,081,669</u>
Transfers	1,388,892	954,433	(1,388,892)	(954,433)	-	-
Increase in Net Position	<u>9,340,271</u>	<u>5,853,682</u>	<u>15,840,987</u>	<u>21,227,987</u>	<u>25,181,258</u>	<u>27,081,669</u>
Net Position - beginning	106,340,316	100,486,634	197,248,020	176,020,033	303,588,336	276,506,667
Net Position - ending	<u>115,680,587</u>	<u>106,340,316</u>	<u>213,089,007</u>	<u>197,248,020</u>	<u>328,769,594</u>	<u>303,588,336</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2019, the City's governmental funds (General, Debt Service, Special Revenue, and Capital Project Fund) reported combined fund equity of **\$15,501,912**. This represents an increase of **\$5,518,505** under last year's ending balances. This increase is the result of both planned budget transfers of funds to be held for the Capital Projects Fund and the receipt of grant money. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund. Capital project funds are used to account for the acquisition of capital assets with transfers made from the General Fund and other funds.

Taxes continue to be the largest source of revenue in the Governmental Funds **\$14,204,217** and represent **45%** of total governmental funds operating revenues. The largest element of taxes is **sales and use taxes** as it has been for the last several years.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of **\$26,586,817** to a final budget of **\$29,456,423**. A major contributing factor in the increase was the budget increase to the use of beginning fund balance. During the fiscal year, the City had some capital expenditures it had not foreseen at the time of the original budgeting process.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Spanish Fork City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to **\$288,048,992** (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, etc.), and machinery and equipment. Capital assets include contributed infrastructure from developers.

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

Parks Improvements:

Maintenance and infrastructure improvements of existing parks and golf course for \$6,402,149.

Water & Pressurized Irrigation Improvements:

Water & Pressurized Irrigation Improvement Projects for \$3,290,957.

Land Purchases for \$590,000

Sewer Improvements:

Sewer Improvements for \$2,000,551

Electric Improvements:

Electric Improvements for \$2,638,553.

Other Improvements:

Airport Infrastructure \$350,666.

Cemetery Infrastructure \$204,851

Spanish Fork Community Network:

Improvement for Fiber to the Home for \$1,730,748.

Machinery Purchases for \$305,547

Motor pool:

City Wide Equipment and Vehicle Purchases for \$2,407,612.

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

Spanish Fork City's Capital Assets				
	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Land	\$ 22,025,179	\$ 21,813,969	\$ 4,023,902	\$ 3,400,805
Water Shares	-	-	6,067,361	5,900,448
Buildings	20,962,857	21,936,046	3,439,026	3,616,954
Improvements	26,189,489	24,786,481	154,268,378	139,913,517
Equipment	6,980,856	6,171,702	2,117,441	2,357,524
Infrastructure	41,974,503	40,245,171	-	-
Total Net Assets -				
Net of Depreciation	\$ 118,132,884	\$ 114,953,369	\$ 169,916,108	\$ 155,189,248

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

Long-term debt - At June 30, 2019, the City had total bonded debt outstanding of **\$14,832,000**. Of that, **\$3,742,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). **\$11,131,405** is debt secured solely by tax sources (i.e. Sales Tax revenue and Property Tax increment for the RDA).

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

Spanish Fork City's Outstanding Debt				
	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Capital Lease	\$ 41,405	\$ 84,674	\$ -	\$ -
Accrued Vacation & Sick Leave	1,851,725	1,804,116	1,000,800	878,367
Revenue Bonds	11,090,000	12,190,000	3,742,000	4,576,000
Total Outstanding Debt	\$ 12,983,130	\$ 14,078,790	\$ 4,742,800	\$ 5,454,367

State statutes limit the amount of general obligation debt (G.O.) a governmental entity may issue to 4% of its total taxable value of **\$2,199,594,612**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$87,983,784** which significantly exceeds the City's outstanding general obligation debt. In addition, state statute allows for an additional 4% to be used for water, sewer, or electrical projects thus resulting in a debt limit of 8% of total taxable value. The current limitation for these water, sewer and electrical projects is thus **\$175,967,568** which again, significantly exceeds the outstanding business-type activity debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate at year end for Utah County (of which Spanish Fork is one of the principal municipalities) was 2.6% compared with a state unemployment rate of 2.8% and a national rate of 3.7 %. (Source: Utah Dept of Workforce Services)

- Some capital improvements budgeted for the FY 2020 include:

1. Additional trail projects
2. Airport operations and capital improvements
3. Widening of the top of center street roadway
4. River reclamation projects
5. Water rights purchases
6. Water line replacement.
7. Sewer line replacement
8. Electric system improvements
9. Storm drainage system expansion
10. Pressurized irrigation system expansion
11. Sidewalk replacement and repair of various areas of town
12. Purchase of city vehicles
13. All-abilities park
14. New fire station #62
15. Land purchase for library
16. Land purchase for electric/water building

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Spanish Fork City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to: Finance Director, Spanish Fork City, 40 South Main St, Spanish Fork, UT 84660.

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BASIC FINANCIAL STATEMENTS

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Spanish Fork City
Statement of Net Position
As of June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 17,429,837	\$ 40,720,743	\$ 58,150,580
Receivables (net of allowance)	4,505,595	3,966,106	8,471,701
Prepaid expenses	59,605	130	59,735
Internal balances	(2,780,649)	2,780,649	-
Inventory	77,932	1,802,896	1,880,828
Equity in joint venture	-	1,681,483	1,681,483
Restricted cash and cash equivalents	5,730,655	1,825,412	7,556,067
Capital Assets (not being depreciated):			
Land	22,025,179	4,023,902	26,049,081
Water shares	-	6,067,361	6,067,361
Capital Assets (net of accumulated depreciation):			
Buildings	20,962,857	3,439,026	24,401,883
Improvements other than buildings	26,189,489	154,268,378	180,457,867
Equipment	6,980,856	2,117,441	9,098,297
Infrastructure	41,974,503	-	41,974,503
Total assets	143,155,859	222,693,527	365,849,386
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources relating to pensions	3,200,845	1,574,670	4,775,515
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	146,356,704	224,268,197	370,624,901
LIABILITIES			
Accounts payable	1,288,042	1,401,799	2,689,841
Developer escrows and deposits	6,216,846	1,594,347	7,811,193
Deferred revenue	970,080	-	970,080
Compensated absences	1,851,725	1,000,800	2,852,525
Bond interest payable	108,549	138,134	246,683
Noncurrent Liabilities:			
Net pension liability	6,407,141	3,152,021	9,559,162
Due within one year	1,211,405	854,000	2,065,405
Due in more than one year	9,920,000	2,888,000	12,808,000
Total liabilities	27,973,788	11,029,101	39,002,889
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	2,507,131	54,059	2,561,190
Relating to pensions	195,198	96,030	291,228
Total deferred inflows of resources	2,702,329	150,089	2,852,418
NET POSITION			
Net investments in capital assets	106,892,930	166,413,173	273,306,103
Restricted for:			
Redevelopment agency	2,859,149	-	2,859,149
Impact fees	607,130	580,093	1,187,223
Debt service	533,591	-	533,591
Bond requirements	-	239,065	239,065
Unrestricted	4,787,787	45,856,676	50,644,463
Total net position	\$ 115,680,587	\$ 213,089,007	\$ 328,769,594

Spanish Fork City
Statement of Activities
For the Year Ended June 30, 2019

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 6,489,524	\$ 9,165,921	\$ 55,716	\$ -	\$ 2,732,113	\$ -	\$ 2,732,113
Public safety	8,519,129	4,375,931	176,481	-	(3,966,717)	-	(3,966,717)
Public works	7,804,269	-	-	4,934,739	(2,869,530)	-	(2,869,530)
Parks, rec. & public property	6,280,943	2,231,597	99,870	1,793,370	(2,156,106)	-	(2,156,106)
Interest on long-term debt	561,213	-	-	-	(561,213)	-	(561,213)
Total governmental activities	29,655,078	15,773,449	332,067	6,728,109	(6,821,453)	-	(6,821,453)
Business-type activities:							
Water	7,168,187	6,905,481	-	2,792,953	-	2,530,247	2,530,247
Sewer	4,877,927	4,004,594	-	2,290,145	-	1,416,812	1,416,812
Electric	32,715,206	35,692,791	-	2,470,836	-	5,448,421	5,448,421
Garbage	2,045,790	2,183,275	-	-	-	137,485	137,485
Storm drainage	5,381,309	6,964,225	-	5,115,123	-	6,698,039	6,698,039
Gun club	176,083	156,276	-	-	-	(19,807)	(19,807)
Total business-type activities	52,364,502	55,906,642	-	12,669,057	-	16,211,197	16,211,197
Total primary government	<u>\$ 82,019,580</u>	<u>\$ 71,680,091</u>	<u>\$ 332,067</u>	<u>\$ 19,397,166</u>	<u>\$ (6,821,453)</u>	<u>\$ 16,211,197</u>	<u>\$ 9,389,744</u>
General revenues:							
Property taxes					3,467,262	-	3,467,262
Sales taxes					10,278,030	-	10,278,030
Other taxes					458,925	-	458,925
Unrestricted investment earnings					494,394	909,978	1,404,372
Joint venture gain (loss)					-	108,704	108,704
Gain on sale of capital assets					74,221	-	74,221
Transfers					1,388,892	(1,388,892)	-
Total general revenues and transfers					<u>16,161,724</u>	<u>(370,210)</u>	<u>15,791,514</u>
Change in Net Position					9,340,271	15,840,987	25,181,258
Net Position - beginning					106,340,316	197,248,020	303,588,336
Net Position - ending					<u>\$ 115,680,587</u>	<u>\$ 213,089,007</u>	<u>\$ 328,769,594</u>

**Spanish Fork City
Balance Sheet
Governmental Funds
As of June 30, 2019**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,847,543	\$ 7,308,642	\$ 15,156,185
Receivables (net of allowance):			
Tax	4,498,860	-	4,498,860
Due from other funds	340,384	458,036	798,420
Prepaid expense	59,606	-	59,606
Inventory	77,932	-	77,932
Restricted Assets:			
Cash and cash equivalents	2,485,039	3,245,616	5,730,655
Total assets	<u><u>\$ 15,309,364</u></u>	<u><u>\$ 11,012,294</u></u>	<u><u>\$ 26,321,658</u></u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 969,238	\$ 88,843	\$ 1,058,081
Payroll payable	67,608	-	67,608
Developer escrow	4,726,738	-	4,726,738
Final inspection deposit	1,490,108	-	1,490,108
Deferred revenue	970,080	-	970,080
Total liabilities	<u><u>8,223,772</u></u>	<u><u>88,843</u></u>	<u><u>8,312,615</u></u>
DEFERRED INFLOWS			
Deferred property tax revenue	2,507,131	-	2,507,131
Total deferred inflows of resources	<u><u>2,507,131</u></u>	<u><u>-</u></u>	<u><u>2,507,131</u></u>
FUND BALANCES			
Nonspendable	59,606	-	59,606
Restricted for:			
Redevelopment agency	-	2,859,149	2,859,149
Debt service	-	533,591	533,591
Impact fees	607,130	-	607,130
Committed for:			
Capital projects	-	7,530,711	7,530,711
Unassigned	3,911,725	-	3,911,725
Total fund balances	<u><u>4,578,461</u></u>	<u><u>10,923,451</u></u>	<u><u>15,501,912</u></u>
Total liabilities, deferred inflows, and fund balances	<u><u>\$ 15,309,364</u></u>	<u><u>\$ 11,012,294</u></u>	<u><u>\$ 26,321,658</u></u>

Spanish Fork City
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total fund balances - governmental fund types:	<u>\$ 15,501,912</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of capital assets	210,959,571
Accumulated depreciation	(92,826,687)
Deferred Outflow - Pension	<u>3,130,221</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>121,263,105</u>
Internal Service funds are used by management to charge the cost of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position, but not in the Balance Sheet - Governmental Funds	(1,577,492)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest payable	(108,549)
Non-current liabilities due within one year	(1,170,000)
Compensated absences	(1,851,725)
Non-current liabilities due in more than one year	(9,920,000)
Net Pension - Liability	(6,265,773)
Deferred Inflow - Pension	<u>(190,891)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>(19,506,938)</u>
Net position of government activities	<u><u>\$ 115,680,587</u></u>

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 13,169,906	\$ 1,034,311	\$ 14,204,217
Licenses and permits	1,670,463	-	1,670,463
Intergovernmental revenues	332,067	4,934,739	5,266,806
Charges for services	3,459,154	-	3,459,154
Fines and forfeitures	156,563	-	156,563
Interest income	420,263	74,131	494,394
Sundry revenue	3,415,849	3,221,803	6,637,652
Total revenues	<u>22,624,265</u>	<u>9,264,984</u>	<u>31,889,249</u>
EXPENDITURES			
Current:			
General government	5,793,403	-	5,793,403
Public safety	8,200,539	-	8,200,539
Public works	7,725,080	1,671,476	9,396,556
Parks, recreation and public property	5,284,363	-	5,284,363
Debt Service:			
Principal retirement	-	1,100,000	1,100,000
Interest and fiscal charges	-	570,350	570,350
Capital outlay	-	3,131,633	3,131,633
Total expenditures	<u>27,003,385</u>	<u>6,473,459</u>	<u>33,476,844</u>
Excess revenues over (under) expenditures	<u>(4,379,120)</u>	<u>2,791,525</u>	<u>(1,587,595)</u>
Other financing sources (uses)			
Sale of fixed assets	74,221	-	74,221
Impact fees	1,793,370	-	1,793,370
Indirect services	3,849,617	-	3,849,617
Transfers in	1,531,895	4,380,272	5,912,167
Transfers out	(4,523,275)	-	(4,523,275)
Total other financing sources and uses	<u>2,725,828</u>	<u>4,380,272</u>	<u>7,106,100</u>
Excess of revenues and other sources over (under) expenditures and other uses	(1,653,292)	7,171,797	5,518,505
Fund balances - beginning of year	6,231,753	3,751,654	9,983,407
Fund balances - end of year	<u>\$ 4,578,461</u>	<u>\$ 10,923,451</u>	<u>\$ 15,501,912</u>

Spanish Fork City
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net changes in fund balances - total governmental funds	<u>\$ 5,518,505</u>
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital Outlay	7,219,812
Depreciation Expense	<u>(4,871,101)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in Net Position of governmental activities	<u>2,348,711</u>

Internal service funds are used by management to charge the cost of motor pool to individual funds. The net revenue of certain activities of internal service funds are reported with the governmental activities.	836,596
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect of Net Position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,109,137
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Some revenues expenses reported in the statement of activities do not add to or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.

Change in compensated Absences	(44,199)
Change in Pension Expenses	<u>(428,479)</u>

Change in Net Position of governmental activities	<u><u>\$ 9,340,271</u></u>
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Spanish Fork City
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 13,322,259	\$ 13,097,259	\$ 13,169,906	\$ 72,647
Licenses and permits	1,644,500	1,746,500	1,670,463	(76,037)
Intergovernmental revenues	1,530,231	348,327	332,067	(16,260)
Charges for services	3,292,460	3,345,585	3,459,154	113,569
Fines and forfeitures	156,200	156,200	156,563	363
Interest income	213,500	427,000	420,263	(6,737)
Sundry revenue	2,137,888	3,047,738	3,415,849	368,111
Total revenues	<u>22,297,038</u>	<u>22,168,609</u>	<u>22,624,265</u>	<u>455,656</u>
EXPENDITURES				
Current:				
General government	5,923,132	6,362,795	5,793,403	(569,392)
Public safety	8,028,052	8,952,264	8,200,539	(751,725)
Public works	7,098,949	8,386,331	7,725,080	(661,251)
Parks, recreation and public property	5,536,684	5,755,033	5,284,363	(470,670)
Total expenditures	<u>26,586,817</u>	<u>29,456,423</u>	<u>27,003,385</u>	<u>(2,453,038)</u>
Excess revenues over (under) expenditures	<u>(4,289,779)</u>	<u>(7,287,814)</u>	<u>(4,379,120)</u>	<u>2,908,694</u>
Other financing sources (uses)				
Sale of fixed assets	-	74,221	74,221	-
Impact fees	2,474,502	2,724,500	1,793,370	(931,130)
Indirect services	3,566,629	3,849,617	3,849,617	-
Transfers in	4,163,070	5,143,898	1,531,895	(3,612,003)
Transfers out	(4,613,022)	(4,525,022)	(4,523,275)	1,747
Total other financing sources and uses	<u>5,591,179</u>	<u>7,267,214</u>	<u>2,725,828</u>	<u>(4,541,386)</u>
Excess of revenues and other sources over (under) expenditures and other uses	1,301,400	(20,600)	(1,653,292)	(1,632,692)
Fund balances - beginning of year	6,231,753	6,231,753	6,231,753	-
Fund balances - end of year	<u>\$ 7,533,153</u>	<u>\$ 6,211,153</u>	<u>\$ 4,578,461</u>	<u>\$ (1,632,692)</u>

Spanish Fork City

Statement of Net Position – Proprietary Funds

As of June 30, 2019

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Water	Sewer	Electric	Storm Drainage	Non Major Enterprise Funds	Total	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 3,118,367	\$ 9,471,927	\$ 26,704,238	\$ -	\$ 1,426,211	\$ 40,720,743	\$ 2,273,652
Accounts receivable	448,541	335,315	2,824,847	202,214	199,995	4,010,912	6,735
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(487)	(1,729)	(44,806)	-
Due from other funds	145,707	411,066	1,227,763	-	61,877	1,846,413	98,673
Prepaid Expense	-	-	130	-	-	130	-
Inventory	4,500	3,500	1,786,796	-	8,100	1,802,896	-
Total current assets	3,707,707	10,218,983	32,513,417	201,727	1,694,454	48,336,288	2,379,060
Noncurrent assets:							
Restricted cash and equivalents	239,065	-	1,586,347	-	-	1,825,412	-
Capital Assets:							
Land	870,483	1,840,081	975,096	120,336	217,906	4,023,902	-
Water rights	6,067,361	-	-	-	-	6,067,361	-
Buildings	2,503,585	546,531	3,478,398	26,647	141,867	6,697,028	1,374,524
Improvements	86,925,700	44,112,095	62,216,148	43,326,443	132,851	236,713,237	-
Equipment	3,015,055	2,483,271	4,222,508	11,900	1,436,702	11,169,436	16,838,263
Less: accumulated depreciation	(40,018,808)	(22,579,050)	(24,975,083)	(5,852,230)	(1,329,685)	(94,754,856)	(10,727,380)
Other Assets:							
Equity in joint venture	-	-	-	-	1,681,483	1,681,483	-
Total noncurrent assets	59,602,441	26,402,928	47,503,414	37,633,096	2,281,124	173,423,003	7,485,407
Total assets	63,310,148	36,621,911	80,016,831	37,834,823	3,975,578	221,759,291	9,864,467
Deferred Outflows of Resources Due to Pensions	211,661	148,304	933,631	262,153	18,921	1,574,670	70,624
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 63,521,809	\$ 36,770,215	\$ 80,950,462	\$ 38,096,976	\$ 3,994,499	\$ 223,333,961	\$ 9,935,091
LIABILITIES							
Current liabilities:							
Due to other funds	\$ -	\$ -	\$ 140,757	\$ 2,602,750	\$ -	\$ 2,743,507	\$ -
Accounts payable	141,244	514,612	369,399	175,383	201,161	1,401,799	161,094
Accrued interest payable	46,567	-	91,567	-	-	138,134	1,259
Compensated absences payable	187,552	88,487	557,057	156,415	11,289	1,000,800	42,138
Customer deposits	-	-	553,097	8,000	-	561,097	-
Final inspection deposits	-	-	1,033,250	-	-	1,033,250	-
Lease payable - current portion	-	-	-	-	-	-	41,405
Bonds payable - current portion	854,000	-	-	-	-	854,000	-
Total current liabilities	1,229,363	603,099	2,745,127	2,942,548	212,450	7,732,587	245,896
Noncurrent liabilities:							
Deferred revenue	25,883	12,216	15,960	-	-	54,059	-
Net pension liability	423,682	296,861	1,868,852	524,753	37,873	3,152,021	141,368
Bonds payable	2,888,000	-	-	-	-	2,888,000	-
Total noncurrent liabilities	3,337,565	309,077	1,884,812	524,753	37,873	6,094,080	141,368
Total liabilities	4,566,928	912,176	4,629,939	3,467,301	250,323	13,826,667	387,264
Deferred Inflows of Resources Due to Pensions	12,908	9,044	56,937	15,987	1,154	96,030	4,307
Net Position							
Net investment in capital assets, net of related debt	55,860,441	26,402,928	45,917,067	37,633,096	599,641	166,413,173	7,444,002
Restricted for:							
Impact fees	-	-	-	580,093	-	580,093	-
Bond requirements	239,065	-	-	-	-	239,065	-
Unrestricted	2,842,467	9,446,067	30,346,519	(3,599,501)	3,143,381	42,178,933	2,099,518
Total Net Position	\$ 58,941,973	\$ 35,848,995	\$ 76,263,586	\$ 34,613,688	\$ 3,743,022	\$ 209,411,264	\$ 9,543,520
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:						3,677,743	
Net Position from business-type activities:						\$ 213,089,007	

Spanish Fork City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds						Governmental Activities- Internal Service
	Water	Sewer	Electric	Storm Drain	Non Major Enterprise Funds	Total Enterprise Funds	Fund
Operating Revenues:							
Charges for sales and services	\$ 6,728,950	\$ 3,924,811	\$ 35,689,343	\$ 2,316,671	\$ 2,339,700	\$ 50,999,475	\$ 1,174,169
Other income	176,531	79,783	3,448	4,647,554	(149)	4,907,167	3,473,873
Total operating revenues	<u>6,905,481</u>	<u>4,004,594</u>	<u>35,692,791</u>	<u>6,964,225</u>	<u>2,339,551</u>	<u>55,906,642</u>	<u>4,648,042</u>
Operating Expenses:							
Water assessment	128,998	-	-	-	-	128,998	-
Power purchases	-	-	17,175,469	-	-	17,175,469	-
Landfill fees	-	-	-	-	751,796	751,796	-
Employee salaries	1,212,730	832,560	5,061,418	1,391,390	170,087	8,668,185	407,592
Materials and supplies	489,403	168,020	1,993,551	343,891	221,967	3,216,832	405,981
Repairs and maintenance	96,096	236,466	76,187	7,204	4,974	420,927	415,431
Professional services	671,837	888,751	4,447,166	1,009,599	488,943	7,506,296	30,739
Motorpool charges	268,497	589,311	775,125	765,700	10,204	2,408,837	-
Utilities	437,608	380,593	193,603	68,112	33,414	1,113,330	39,184
Insurance	18,653	72,527	59,414	-	4,069	154,663	5,653
Depreciation	2,575,603	1,182,693	2,038,191	1,077,690	77,359	6,951,536	1,457,128
Capital outlay	4,777	(37)	(4,092)	7,415	-	8,063	5,910
Indirect services	1,231,634	757,996	1,069,194	654,336	136,457	3,849,617	-
Sundry charges	10,757	3,038	66,698	23,606	669,164	773,263	-
Training	-	928	737	-	-	1,665	-
Total operating expenses	<u>7,146,593</u>	<u>5,112,846</u>	<u>32,952,661</u>	<u>5,348,943</u>	<u>2,568,434</u>	<u>53,129,477</u>	<u>2,767,618</u>
Operating income	<u>(241,112)</u>	<u>(1,108,252)</u>	<u>2,740,130</u>	<u>1,615,282</u>	<u>(228,883)</u>	<u>2,777,165</u>	<u>1,880,424</u>
Nonoperating revenues (expenses):							
Interest revenue	15,228	145	894,605	-	-	909,978	-
Impact fees and water right fees	831,600	1,165,149	1,522,245	580,093	-	4,099,087	-
Contributions from private contractors	1,723,038	1,124,996	948,591	4,535,030	-	8,331,655	-
Grant proceeds	238,315	-	-	-	-	238,315	-
Gain(loss) on sale of fixed assets	-	-	-	-	-	-	42,503
Pension benefit expense	103,258	79,043	512,845	142,719	10,655	848,520	41,800
Pension expense	(141,363)	(99,049)	(623,547)	(175,085)	(12,637)	(1,051,681)	(47,168)
Interest expense	(109,638)	-	-	-	-	(109,638)	(6,187)
Total nonoperating revenues (expenses)	<u>2,660,438</u>	<u>2,270,284</u>	<u>3,254,739</u>	<u>5,082,757</u>	<u>106,722</u>	<u>13,374,940</u>	<u>30,948</u>
Income (loss) before operating transfers	<u>2,419,326</u>	<u>1,162,032</u>	<u>5,994,869</u>	<u>6,698,039</u>	<u>(122,161)</u>	<u>16,152,105</u>	<u>1,911,372</u>
Operating Transfers from (to) Other Funds							
Operating transfers out	(194,063)	(136,362)	(1,726,138)	737,035	(69,364)	(1,388,892)	-
Total contributions and operating transfers	<u>(194,063)</u>	<u>(136,362)</u>	<u>(1,726,138)</u>	<u>737,035</u>	<u>(69,364)</u>	<u>(1,388,892)</u>	<u>-</u>
Change in Net Position	2,225,263	1,025,670	4,268,731	7,435,074	(191,525)	14,763,213	1,911,372
Total Net Position - beginning	56,716,710	34,823,325	71,994,855	27,178,614	3,934,547	194,648,051	7,632,148
Total Net Position - ending	<u>\$ 58,941,973</u>	<u>\$ 35,848,995</u>	<u>\$ 76,263,586</u>	<u>\$ 34,613,688</u>	<u>\$ 3,743,022</u>	<u>\$ 209,411,264</u>	<u>\$ 9,543,520</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:						1,077,774	
Change in Net Position of business-type activities:						<u>\$ 15,840,987</u>	

Spanish Fork City
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

Business-Type Activities - Enterprise Funds

	Water Fund	Sewer Fund	Electric Fund	Storm Drain Fund	Non Major Enterprise Funds	Total Enterprise Funds
Cash Flows From Operating Activities						
Receipts from customers	\$ 6,781,568	\$ 3,892,022	\$ 35,950,285	\$ 2,284,645	\$ 2,329,819	\$ 51,238,339
Other cash receipts	176,531	79,783	3,448	4,647,554	(149)	4,907,167
Payments to suppliers	(3,373,594)	(2,640,301)	(25,833,434)	(2,816,076)	(2,246,016)	(36,909,421)
Payments to employees	(1,190,272)	(820,544)	(4,994,247)	(1,371,817)	(168,872)	(8,545,752)
Net cash provided (used) by operating activities	2,394,233	510,960	5,126,052	2,744,306	(85,218)	10,690,333
Cash Flows From Noncapital Financing Activities						
Decrease (increase) in due from other funds	(117,654)	(339,256)	(1,015,996)	-	(49,140)	(1,522,046)
Increase (decrease) in due to other funds	-	-	140,757	2,178,074	-	2,318,831
Transfers in (out)	(194,063)	(136,362)	(1,726,138)	737,035	(69,364)	(1,388,892)
Net cash provided (used) by noncapital activities	(311,717)	(475,618)	(2,601,377)	2,915,109	(118,504)	(592,107)
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	(4,177,914)	(2,039,046)	(4,686,896)	(10,774,538)	-	(21,678,394)
Principal (paid) issued on capital debt	(834,000)	-	-	-	-	(834,000)
Interest paid on capital debt	(109,638)	-	-	-	-	(109,638)
Contributions from (reimbursements to) private contractors	1,723,038	1,124,996	948,591	4,535,030	-	8,331,655
Impact fees collected	831,600	1,165,149	1,522,245	580,093	-	4,099,087
Grant proceeds	238,315	-	-	-	-	238,315
Net cash provided (used) by capital and related financing activities	(2,328,599)	251,099	(2,216,060)	(5,659,415)	-	(9,952,975)
Cash Flows From Investing Activities						
Interest and dividends received	15,228	145	894,605	-	-	909,978
Net cash provided (used) by investing activities	15,228	145	894,605	-	-	909,978
Net increase (decrease) in cash and cash equivalents	(230,855)	286,586	1,203,220	-	(203,722)	1,055,229
Cash and cash equivalents, July 1	3,588,287	9,185,341	27,087,365	-	1,629,933	41,490,926
Cash and cash equivalents, June 30	<u>\$ 3,357,432</u>	<u>\$ 9,471,927</u>	<u>\$ 28,290,585</u>	<u>\$ -</u>	<u>\$ 1,426,211</u>	<u>\$ 42,546,155</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	\$ (241,112)	\$ (1,108,252)	\$ 2,740,130	\$ 1,615,282	\$ (228,883)	2,777,165
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	2,575,603	1,182,693	2,038,191	1,077,690	77,359	6,951,536
(Increase) decrease in accounts receivable	55,140	(27,310)	247,704	(32,026)	(9,881)	233,627
Decrease (increase) in inventory	-	-	(1,633)	-	12,718	11,085
Increase (decrease) in accrued liabilities	(15,334)	457,292	6,924	55,787	62,254	566,923
Increase (decrease) in compensated absences	22,458	12,016	67,171	19,573	1,215	122,433
Increase (decrease) in customer deposits	-	-	14,327	8,000	-	22,327
Increase (decrease) in deferred revenue	(2,522)	(5,479)	13,238	-	-	5,237
Total adjustments	2,635,345	1,619,212	2,385,922	1,129,024	143,665	7,913,168
Net cash provided (used) by operating activities	<u>\$ 2,394,233</u>	<u>\$ 510,960</u>	<u>\$ 5,126,052</u>	<u>\$ 2,744,306</u>	<u>\$ (85,218)</u>	<u>\$ 10,690,333</u>

**Spanish Fork City
Statement of Net Position
Fiduciary Fund
As of June 30, 2019**

	Fire Retirement Capital Fund
ASSETS	
Cash and equivalents	<u>104,251</u>
Total assets	<u>104,251</u>
LIABILITIES AND FUND BALANCES	
Net position:	
Deferred compensation	<u>104,251</u>
Total net position	<u>104,251</u>
Total liabilities and net position	<u>\$ 104,251</u>

Spanish Fork City
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended June 30, 2019

	Fire Retirement Capital Fund
REVENUES:	
Employer contribution	\$ 36,612
Interest income	2,859
Total	<u>39,471</u>
EXPENDITURES:	
Retirement payments	<u>36,575</u>
Total	<u>36,575</u>
Excess of revenues over (under) expenditures	<u>2,896</u>
Net position - beginning of year	101,355
Net position - end of year	<u>\$ 104,251</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.A. FINANCIAL REPORTING ENTITY

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

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

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

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

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

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

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

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

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

Library: Library Administration and Public Services.

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

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

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

The Statement of Net position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. For the most part, the effect of inter-fund activity has been removed from these statements. The statements distinguish between governmental and

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements:

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Debt Service Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. The reporting entity reports the Redevelopment Fund (RDA) as a Special Revenue Fund.

Capital Project Fund

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Water, Sewer, Electric, Garbage, Streets and Storm Drainage, and Gun Club funds. In 2016, Golf Course and Swimming Pool reporting were moved to the General Fund.

Internal Service Fund

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

Major and Nonmajor Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General	See above for description.
Enterprise Funds:	
Water, Sewer, Electric, Streets and Storm Drainage Funds	Accounts for revenues and expenditures of water, sewer and electric utilities. These funds also account for the accumulation of resources for, and the payment of, long term debt principal and interest associated with these utilities. All costs are financed through charges to customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds. Water Fund consists of culinary and secondary water systems. Electric Fund consists of electric and broadband systems. Sewer Fund consists of sewer collections and sewer plant systems. Streets and Storm Drainage Fund accounts for revenues and expenditures of Streets and Storm Drainage Utility.
Nonmajor Governmental Funds:	
Debt Service Fund	The Debt Service Fund account for the resources accumulated and payments made for principal and interest on long-term general-obligation debt of governmental funds.
Special Revenue Fund (RDA)	Accounts for activity within the City's redevelopment agency.
Capital Projects Funds	Accounts for the accumulation of funds, revenues and expenditures on specific projects.
Nonmajor Enterprise Funds:	
Garbage Fund	Accounts for revenues and expenditures of the garbage utility.
Gun Club Fund	Accounts for revenues and expenditures of the gun club.
Internal Service Funds:	
Motor Pool	This fund is used to account for the costs of operating and maintaining vehicles and equipment owned by the City.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash & Cash Equivalents and Investments

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

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

Interfund Receivables and Payables

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

Receivables

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

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

Inventories and prepaid items

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

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

Restricted Assets

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

Restricted Assets

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

Long-term Debt

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

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

Compensated Absences

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

At June 30, 2019, the total liability for accrued vacation pay and the total liability for accrued sick leave is as follows:

	Liability Amount		
	Governmental Activities	Business -Type Activities	Total
Vacation Liability	\$ 1,141,094	\$ 649,724	\$ 1,790,818
Sick Leave Liability	710,631	351,076	1,061,707
Total Compensated Absences	<u>\$ 1,851,725</u>	<u>\$ 1,000,800</u>	<u>\$ 2,852,525</u>

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

Equity Classifications

Government-wide Statements

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

- a. Net investments in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 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 investments in capital assets.”

Fund Statements

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

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

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

Committed fund balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, which is the City Council.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

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

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

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

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

Property Tax

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

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental Funds—By Character:

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

Proprietary Fund—By Operating and Non-operating

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

Interfund Transfers

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Use of estimates

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

1.F PENSIONS

For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources, deferred inflows of resources, and pension/benefit expense related to pensions, information about the fiduciary net position of the Utah Retirement System Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1.G. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

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

Statutes authorize the City to invest in negotiable or non-negotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally

SPANISH FORK CITY

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined by the Act; and the Utah Public Treasurers' Investment Fund.

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

2.B. REVENUE RESTRICTIONS

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

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

For the year ended June 30, 2019, the City complied, in all material respects, with these revenue restrictions.

2.C. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

No debt in excess of total revenue for the current year shall be created by any city unless the proposition to create such debt shall have been submitted to a vote of qualified electors. Cities shall not contract for debt to an amount exceeding four percent of the fair market value of taxable property in their jurisdictions. For the year ended June 30, 2019, the City had no general obligation debt.

Other Long-term Debt

Cities may incur a larger indebtedness for the purpose of supplying such city water, sewer, or electricity when such public works are owned and controlled by the municipality. The additional indebtedness shall not exceed four percent for first and second class cities and eight (8%) percent for third class cities. For the year ended June 30, 2019, the City had \$14,881,812 of such indebtedness.

Bonds Payable

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2019.

Requirement	Level of Compliance
-------------	---------------------

a. Bonds Payable Coverage:

1. Net electric and water operating revenues (excluding depreciation) must equal 1.10 (electric revenue bonds) and 1.25 (water revenue bonds) times the annual debt service plus the unfunded portion of the Debt Service Reserve Requirement to be due and payable for the forthcoming year on the 2009 Electric Revenue

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Bonds, the 2002, 2011, & 2012 Water Revenue Bonds. Sales tax Revenue Bond 2007 must equal 2.0 times the annual debt service.

b. Reserve Account Requirement:

Various escrows are set up as reserves to make the annual debt payments.
Minimum balances are required to be kept in each of the escrows.

2.D. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

2.E. FUND EQUITY RESTRICTIONS

Utah Code 10-6-116(4) indicates only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 25% of the total revenue of the general fund.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

3.A. CASH AND INVESTMENTS

Deposits

Deposits – Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a formal deposit policy for bank custodial credit risk. As of June 30, 2019, The City’s custodial credit risk for deposits is as follows:

	Custodial Credit Risk	Balance June 30, 2019
Depository Accounts	Insured	\$ 250,000
	Uninsured and uncollateralized	1,871,477
	Total Depository Accounts	<u>\$ 2,121,477</u>

Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

Spanish Fork City follows the requirements of the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Spanish Fork City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

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

Statutes authorize Spanish Fork City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers’ Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code*, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
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Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Fair Value of Investments

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

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

At June 30, 2019, Spanish Fork City had the following recurring fair value measurements:

Security Type Category	Level 1	Level 2	Level 3	Other	Total
Agency	\$ 7,945,719	\$ -	\$ -	\$ -	\$ 7,945,719
Corporate	-	12,389,696	-	-	12,389,696
Currency	16,829	-	-	-	16,829
MM Fund	41,946	-	-	-	41,946
US Gov	1,052,833	-	-	-	1,052,833
PTIF*	-	37,363,229	-	-	37,363,229
Total Fair Value	\$ 9,057,327	\$ 49,752,925	\$ -	\$ -	\$ 58,810,252

* Not recorded at fair value as it is not a true investment and will only receive book value not fair value when account is closed

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
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As of June 30, 2019, Spanish Fork City's investments had the following maturities:

	Fair Value	Investment Maturity in Years- Fair Value			
		Less Than 1	1-3	3-5	More Than 5
AGCY Bond	\$ 7,966,195	\$ 2,049,237	\$ 4,807,021	\$ 1,109,937	\$ -
Cash	16,829	16,829	-	-	-
Corp	11,871,839	4,042,692	7,829,147	-	-
MM Fund	41,946	41,946	-	-	-
US Gov	1,054,955	299,299	755,656	-	-
Yankee	562,418	477,594	84,824	-	-
Total Fair Value	\$ 21,514,182	\$ 6,927,597	\$ 13,476,648	\$ 1,109,937	\$ -

	Book Value	Investment Maturity in Years- Book Value			
		Less Than 1	1-3	3-5	More Than 5
AGCY Bond	\$ 7,959,933	\$ 2,049,933	\$ 4,805,000	\$ 1,105,000	\$ -
Cash	16,829	16,829	-	-	-
Corp	11,826,471	4,023,455	7,803,016	-	-
MM Fund	41,946	41,946	-	-	-
US Gov	1,052,630	300,458	752,172	-	-
Yankee	560,142	475,358	84,784	-	-
Total Book Value	\$ 21,457,951	\$ 6,907,979	\$ 13,444,972	\$ 1,105,000	\$ -

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

At June 30, 2019, Spanish Fork City's investments had the following quality ratings:

Investment Ratings			
Rating	Security Type	Book Value	Market Value Plus Accrued
AAA	AGCY Bond	\$ 7,959,933	\$ 7,966,195
AAA	US Gov	1,052,630	1,054,955
AAA	Cash	16,829	16,829
AAA	MMFUND	41,946	41,946
AA	Corp	712,269	717,059
AA-	Corp	2,967,291	2,970,677
AA-	Yankee	475,358	477,594
A+	Corp	2,719,668	2,736,271
A	Corp	4,774,477	4,790,770
A	Yankee	84,784	84,824
A-	Corp	286,875	288,312
BBB+	Corp	365,891	368,750
Total		\$ 21,457,951	\$ 21,514,182

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Spanish Fork City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

At June 30, 2019, Spanish Fork City does not hold more than 5 percent of total investments in any single security concentration other than U. S. Government Treasuries and Agencies.

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
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The deposits and investments described above are included on the Statement of Net position as per the following reconciliation:

Reconciliation to Government-Wide Statement of Net Position

Deposits & Investments	1,981,475
Investments	63,689,421
Cash on Hand	140,003
Total	<u><u>65,810,898</u></u>

Government-Wide

Cash and Cash Equivalents	58,150,580
Restricted Cash & Cash Equivalents	7,556,067
Fiduciary Restricted Cash	104,251
Total	<u><u>65,810,898</u></u>

Net Cash on Statement of Net Position	65,706,647
Fiduciary Restricted Cash	104,251
Total	<u><u>65,810,898</u></u>

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets or cash, investments, and accrued interest held by the trustee bank on behalf of the various public trusts (Authorities) related to their required note payable accounts as described in Note 2.C, and amounts held in trust for developers and unspent impact fees collected. The restricted assets as of June 30, 2019 are as follows:

<u>Type of Restricted Asset</u>	<u>Cash/Time Deposites</u>	<u>Investments</u>	<u>Accrued Int</u>	<u>Total</u>
Business-Type Activities:				
Customer deposits	\$ 561,097	\$ -	\$ -	\$ 561,097
Storm drainage impact fees	580,093	-	-	580,093
Water bond requirements	239,065	-	-	239,065
Final inspection deposits	1,033,250	-	-	1,033,250
Total	<u>2,413,505</u>	<u>-</u>	<u>-</u>	<u>2,413,505</u>
Governmental Activities:				
Developer escrows	4,726,738	-	-	4,726,738
Final inspection deposits	1,490,108	-	-	1,490,108
Impact fees	607,130	-	-	607,130
Debt services	533,591	-	-	533,591
RDA requirements	2,859,149	-	-	2,859,149
Total	<u>10,216,716</u>	<u>-</u>	<u>-</u>	<u>10,216,716</u>
Grand Total	<u><u>\$ 12,630,221</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,630,221</u></u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2019, were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivables	\$ -	\$ 4,010,912	\$ 4,010,912
Property tax	1,990,004	-	1,990,004
Other tax	2,507,131	-	2,507,131
Allowance for doubtful accounts	-	(44,806)	(44,806)
Net accounts receivable	<u>\$ 4,497,135</u>	<u>\$ 3,966,106</u>	<u>\$ 8,463,241</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance at June 30, 2018	Additions	Disposals	Balance at June 30, 2019
Governmental Activities:				
Land (not being depreciated)	\$ 21,813,969	\$ 211,209	\$ -	\$ 22,025,178
Buildings	35,368,914	11,586	-	35,380,500
Improvements	41,972,060	2,587,960	(144,329)	44,415,691
Machinery and equipment	17,386,635	2,487,299	(625,564)	19,248,370
Infrastructure	85,560,463	4,329,370	-	89,889,833
Totals at historical cost	<u>202,102,041</u>	<u>9,627,424</u>	<u>(769,893)</u>	<u>210,959,572</u>
Less accumulated depreciation				
Buildings	(13,432,868)	(984,772)	-	(14,417,640)
Improvements	(17,185,579)	(1,184,953)	144,329	(18,226,203)
Machinery and equipment	(11,211,933)	(1,517,137)	461,557	(12,267,513)
Infrastructure	(45,315,292)	(2,600,037)	-	(47,915,329)
Total accumulated depreciation	<u>(87,145,672)</u>	<u>(6,286,899)</u>	<u>605,886</u>	<u>(92,826,685)</u>
Governmental Activities: capital assets, net	<u>\$ 114,956,369</u>	<u>\$ 3,340,525</u>	<u>\$ (164,007)</u>	<u>\$ 118,132,887</u>
Business-Type Activities				
Land (not being depreciated)	\$ 3,400,802	\$ 623,100	\$ -	\$ 4,023,902
Water shares (not being depreciated)	5,900,448	166,913	-	6,067,361
Buildings and structures	6,697,028	-	-	6,697,028
Improvements	216,277,891	20,435,346	-	236,713,237
Machinery and equipment	10,716,402	453,034	-	11,169,436
Totals at historical cost	<u>242,992,571</u>	<u>21,678,393</u>	<u>-</u>	<u>264,670,964</u>
Less accumulated depreciation				
Buildings and structures	(3,080,073)	(177,929)	-	(3,258,002)
Improvements	(76,364,370)	(6,080,489)	-	(82,444,859)
Machinery and equipment	(8,358,878)	(693,117)	-	(9,051,995)
Total accumulated depreciation	<u>(87,803,321)</u>	<u>(6,951,535)</u>	<u>-</u>	<u>(94,754,856)</u>
Business-Type Activities: capital assets, net	<u>\$ 155,189,250</u>	<u>\$ 14,726,858</u>	<u>\$ -</u>	<u>\$ 169,916,108</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
General government	\$ 509,819
Public safety	689,679
Public works	2,616,693
Parks	1,054,910
Governmental portion of internal service fund	1,415,798
Total depreciation expense	\$ 6,286,899

Business-Type Activities	
Water	\$ 2,575,603
Electric	1,182,693
Sewer	2,038,191
Garbage	73,131
Streets and storm drainage	1,077,690
Gun club	4,228
Total depreciation expense	\$ 6,951,536

3.E. ACCOUNTS PAYABLE & DEFERRED INFLOW

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

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

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

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

	Unavailable	Unearned
Deferred property tax	\$ 2,507,131	\$ -
Deferred onflows - pension	195,198	-
Total deferred inflows of resources for governmental funds	<u>\$ 2,702,329</u>	<u>\$ -</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

3.F. LONG-TERM DEBT

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

Governmental Activities:

As of June 30, 2019, the governmental long-term debt of the financial reporting entity consisted of the following:

	Interest Rate	Maturity Dates	Balance
Sales Tax Revenue Bond Series 2014 (Original amount \$13,305,000)	0.75% to 5.000%	2027	\$ 11,090,000
Total bonds payable - governmental activities			<u>11,090,000</u>
			<u>(1,170,000)</u>
Total long term portion of bonds payable - governmental activities			<u>\$ 9,920,000</u>

Capital leases payable

Governmental activities: (Internal Service Fund)

Capital leases payable	\$ 41,405
Current portion of capital leases payable	<u>(41,405)</u>
Long term portion of capital leases payable	<u>\$ -</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Business-type Activities:

As of June 30, 2019, the long-term debt payable from proprietary fund resources consisted of the following:

	Interest Rate	Maturity Dates	Balance
Water Revenue Bonds Series 2011 Dated October 26, 2011 (Original amount \$2,040,000)	1.87%	2032	\$ 1,505,000
Water Revenue Bonds Series 2012 Dated July 2, 2012 (Original amount \$4,041,000)	2.58%	2022	3,071,000
Total bonds payable - business-type activities			4,576,000
Less current portion			(834,000)
Total bonds payable - long term portion			<u>\$ 3,742,000</u>

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

Type of Debt	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Governmental activities:				
Bonds:				
Bonds payable	\$ 12,190,000	\$ -	\$ (1,100,000)	\$ 11,090,000
Total bonds:	12,190,000	-	(1,100,000)	11,090,000
Direct borrowings:				
Capital leases payable	84,674	-	(43,269)	41,405
Total direct borrowings:	84,674	-	(43,269)	41,405
Compensated absences	1,804,115	47,610	-	1,851,725
Total - Governmental Activities	\$ 14,078,789	\$ 47,610	\$ (1,143,269)	\$ 12,983,130
Business-type Activities:				
Bonds:				
Bonds payable	\$ 4,576,000	\$ -	\$ (834,000)	\$ 3,742,000
Total bonds:	4,576,000	-	(834,000)	3,742,000
Compensated absences	878,368	122,432	-	1,000,800
Total - Business-type Activities	\$ 5,454,368	\$ 122,432	\$ (834,000)	\$ 4,742,800
Due Within One Year	\$ 1,969,874	\$ 1,977,269	\$ (1,969,874)	\$ 1,977,269

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2019, are as follows:

Year Ending June 30	Governmental Activities Bonds Payable		Business-type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
2020	1,170,000	522,750	854,000	86,533
2021	1,225,000	464,250	876,000	65,188
2022	1,280,000	403,000	898,000	43,290
2023	1,335,000	339,000	102,000	20,832
2024	1,415,000	272,250	104,000	18,924
2025-2029	4,665,000	392,700	551,000	64,684
2030-2034	-	-	357,000	13,427
Total	<u>\$ 11,090,000</u>	<u>\$ 2,393,950</u>	<u>\$ 3,742,000</u>	<u>\$ 312,878</u>

Depreciation and Other Information on Capital Leases

Amortization of capital assets purchased under capital leases is included in depreciation expense.

The present value of future minimum capital lease payments under these leases as of June 30, 2019 are:

Fiscal Year	
2020	<u>\$ 49,812</u>
Total minimum lease payments	49,812
Less amounts representing interest	<u>(8,407)</u>
Present value of minimum lease payments	<u>\$ 41,405</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers:

	Transfers in	Transfers out
Governmental Activities:		
General fund	\$ 1,531,895	\$ 4,523,275
RDA fund	335,253	-
Debt service fund	871,997	-
Land acquisition fund	1,600,000	-
Airport projects fund	105,000	-
Golf course improvements fund	183,022	-
Capital projects fund - north park development	145,000	-
Capital projects fund - street cut bridge	1,000,000	-
Capital projects fund - cemetery driveway	140,000	-
Total Governmental Activities	5,912,167	4,523,275
Business-Type Activities:		
Major Funds:		
Water fund	-	194,063
Sewer fund	-	136,362
Electric fund	-	1,535,337
Broadband services	-	190,801
Non-Major Funds:		
Garbage fund	-	69,364
Storm drainage fund	815,000	77,965
Total Business-Type Activities	815,000	2,203,892
Grand Totals	6,727,167	6,727,167

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

Indirect Services:

	Indirect Service Expense	Indirect Service Revenue
Major business-type activities:		
Water fund	\$ 1,231,634	\$ -
Sewer fund	757,996	-
Electric fund	1,069,194	-
Storm drain	654,336	-
Non-major business-type activities:		
Garbage	136,457	-
Major governmental activities:		
General fund	-	3,849,617
Total	\$ 3,849,617	\$ 3,849,617

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Due to/from other funds

	<u>Due to</u>	<u>Due from</u>
Governmental Funds:		
Major Funds:		
General fund	\$ -	\$ 340,384
Non-Major Funds:		
RDA fund	-	119,083
Debt service fund	-	20,137
Special guarantee fund	-	1,635
Land acquisition fund	-	65,679
Airport projects fund	-	9,763
Golf course improvements fund	-	6,860
Spanish Fork parkway & canyon creek	-	17,939
Spanish Fork river reclamation fund	-	3,464
Capital projects fund - north park development	-	55,409
Capital projects fund - street cut bridge	-	156,298
Capital projects fund - cemetery driveway	-	1,081
Canyon road	-	689
Total Governmental Funds	<u>-</u>	<u>798,421</u>

3.H. RESERVED FUND BALANCES

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4. OTHER NOTES

4.A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other government in the State of Utah to form the Utah Risk Management Mutual Association (URMMA), a public entity risk pool currently operating as a common risk management insurance program for the Utah State governments. The City pays an annual premium to URMMA for its tort liability insurance coverage.

4.B. COMMITMENTS AND CONTINGENCIES

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

4.C. JOINT VENTURES

Utah Municipal Power Agency

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

Additional information is as follows:

a. Participants and their percentage shares:

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

- b. UMPA is governed by a Board of Directors which is comprised of six directors. The Mayor and City Council of each member-City appoints one director. All decisions of the Board are made by majority vote, except in specific decisions as described in the Inter-local Cooperation Agreement which stipulates that votes shall be by number of kilowatt hours sold. For Provo to prevail in a tie vote, they would need one additional city to vote with them.
- c. The UMPA Board of Directors governs the operations of the Agency through management employed by the Board. Since UMPA is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budgeting, and financing.
- d. The UMPA 2019 financial information were not available prior to the issuance of these statements. June 30, 2018 audited statements are the most recent available. Audited summary financial information of UMPA at June 30, 2018 are as follows from UMPA:

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>UMPA</u>	<u>Spanish Fork City's Share</u>
Total assets and deferred outflow of resources	<u>\$ 186,920,130</u>	<u>\$ 39,813,988</u>
Total liabilities and deferred inflow of resources	<u>\$ 186,916,780</u>	<u>\$ 39,813,274</u>
Total net position	<u>\$ 3,350</u>	<u>\$ 714</u>
Total operating revenues	\$ 79,523,349	\$ 16,938,473
Total operating expenses	<u>(72,299,913)</u>	<u>(15,399,881)</u>
Net operating income	7,223,436	1,538,592
Total non-operating income (expenses)	<u>(2,712,477)</u>	<u>(577,758)</u>
Change in net position before adjustment	<u>\$ 4,510,959</u>	<u>\$ 960,834</u>
Transfer in of generation assets	\$ 11,343,675	2,416,203
Deferred inflow of resources adjustment	(15,854,634)	(3,377,037)
Change in net position	<u>\$ -</u>	<u>\$ -</u>
The joint venture has the following long-term debt:		
Revenue bonds payable	<u>\$ 123,527,116</u>	<u>\$ 26,311,276</u>

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

South Utah Valley Solid Waste District

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

Additional information is as follows:

- a. Participants and their percentage shares:

b.

Spanish Fork City Corporation	11.750%
Provo City Corporation	69.750%
Springville City Corporation	15.000%
Mapleton City Corporation	2.000%
Salem City Corporation	1.500%
Goshen Town (Landfill participant)	<u>0.000%</u>
	<u>100.000%</u>

- b. The District is governed by a Board of Directors which are comprised of six directors. The Mayor and City Council of each member appoints one director. All decisions of the Board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo to prevail in a tie vote they would need one additional city to vote with them.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

- c. The District's Board of Directors governs the operations of the District through management employed by the Board. Since the District is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budget.
- d. Audited summary financial information of the District as June 30, 2019 is as follows from SUVSWD:

	South Utah Valley Solid Waste District	Spanish Fork City's Share
Total assets and deferred outflow of resources	\$ 15,412,400	\$ 1,810,957
Total liabilities and deferred inflow of resources	\$ 1,101,908	\$ 129,474
Total net position	\$ 14,310,492	\$ 1,681,483
Total operating revenues	\$ 7,542,716	\$ 886,269
Total operating expenses	(6,870,463)	(807,279)
Net operating income	672,253	78,990
Total non-operating income (expenses)	252,884	29,714
Change in net assets	\$ 925,137	\$ 108,704
The joint venture has the following long-term debt:		
Closure and postclosure liability	\$ 2,162,102	\$ 254,047
Accrued compensated absences	213,035	25,032
Net pension liability	638,171	74,985
Total long-term liabilities	\$ 123,527,116	\$ 26,311,276

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

Spanish Fork/Springville Airport

The City was party to a joint venture with Springville, a neighboring municipality, in the Spanish Fork/Springville Airport (the airport). The joint venture was dissolved in 2018, with Spanish Fork City taking full responsibility of the airport. The airport is now reported in Spanish Fork City financial as a capital projects fund and in the General Fund under Public Works.

4.D. WATER LOAN PROGRAM

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

1. Fidelity Bonds
 - A. Public Treasurer Bond for \$2,000,000 expiring April 21, 2020 issued by Moreton & Company.
 - B. \$100,000 Blanket Employee Bond expiring April 1, 2020 covering all employees and elected officials of the City issued by Moreton & Company.
2. 12,148 water connections at June 30, 2019
3. Total culinary water billings for the year were \$2,917,624.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

4. Rate schedule

Base charge	\$10.00
Price per 1,000 gallons for usage over base is	\$1.14 - \$2.14
Connection/Impact fee (1 inch)	\$897.08

4.E. SPANISH FORK REDEVELOPMENT AGENCY

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

1. The sales tax and property tax increment collected by the agency for each project area:

A. North Industrial RDA	\$ 343,973
B. Kirby Lane RDA	425,573
C. Wasatch Wind CDA	195,009
D. Sierra Bonita CDA	69,754
E. Krona CRA	301,728

Total Collected	<u>\$ 1,336,037</u>
-----------------	---------------------

2. The amount of tax increment paid to any taxing agency:

A. North Industrial RDA	\$ -
B. Kirby Lane RDA	-
C. Wasatch Wind CDA	111,483
Total Paid	<u>\$ 111,483</u>

3. The outstanding principal amount of loans incurred to finance the cost associated with the project areas:

\$ -

4. The actual amounts expended for :

A. Acquisition of property	\$ -
B. Site improvements	-
C. Installation of public utilities and roads	1,116,064
D. Administrative & contracted costs	555,412
Total Expended	<u>\$ 1,671,476</u>

4.F. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

General Information about the Pension Plan

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

- **Public Employees Noncontributory Retirement System** (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- **Public Safety Retirement System** (Public Safety System) is cost sharing, multiple employer retirement system.
- **Tier 2 Public Employees Contributory Retirement System** (Tier 2 Public Employees System) is a multiple employer cost sharing public employee retirement system;
- **Tier 2 Public Safety and Firefighter Contributory Retirement System** (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The System's defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website www.urs.gov.

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

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

*Actuarial reductions are applied

** all post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with and additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

<u>Utah Retirement Systems</u>	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer rate for 401(k) Plan
Contributory System				
111-Local Government Division Tier 2	N/A	N/A	15.54	1.15
Noncontributory System				
15-Local Government Division Tier 1	N/A	N/A	18.47	N/A
Public Safety Retirement System				
Contributory				
122 Tier 2 DB Hybrid Public Safety	N/A	N/A	23.09	0.74
Noncontributory				
122-Other Division A Contributory Tier 2	N/A	N/A	34.04	N/A
Tier 2 DC Only				
211 Local Government	N/A	N/A	6.69	10.00
222 Public Safety	N/A	N/A	11.83	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, 2019, the employer and employee contributions to the Systems were as follows:

System	Employer Contribution	Employee Contribution
Noncontributory System	\$ 1,327,797	N/A
Public Safety System	594,209	-
Tier 2 Public Employee System	477,206	-
Tier 2 Public Safety and Firefighter	121,965	-
Tier 2 DC Only System	30,671	N/A
Total	\$ 2,551,848	\$ -

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

At June 30, 2019, we reported a net pension asset of \$0 and a net pension liability of \$9,559,162.

	(Measurement Date): December 31, 2018				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2017	Change (Decrease)
Noncontributory System	\$ -	\$ 6,328,638	0.8594345%	0.8335616%	0.0258729%
Public Safety System	-	3,120,976	1.2131674%	1.1948197%	0.0183477%
Tier 2 Public Employees System	-	100,588	0.2348667%	0.2198402%	0.0150265%
Tier 2 Public Safety and Fire Fighter System	-	8,960	0.3575857%	0.3462816%	0.0113041%
	<u>\$ -</u>	<u>\$ 9,559,162</u>			

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 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, 2019. We recognized pension expense of \$3,189,437.

At June 30, 2019, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 86,218	\$ 516,559
Changes in assumptions	1,240,273	113,460
Net difference between projected and actual earnings on pension plan investments	1,894,562	2,964,975
Changes in proportion and differences between contributions and proportionate share of contributions	255,004	1,836
Contributions subsequent to the measurement date	1,299,458	-
Total	<u>\$ 4,775,515</u>	<u>\$ 3,596,830</u>

\$1,299,458 was reported as deferred outflows of resources related to pension results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2018.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Year Ended December 31,	Deferred Outflows (inflows) of Resources
2019	\$ 1,457,034
2020	531,911
2021	263,816
2022	898,999
2023	3,895
Thereafter	29,172

Actuarial assumptions: The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.50 percent
Salary increases	3.25-9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense including inflation

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

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40.00%	6.15%	2.46%
Debt securities	20.00%	0.40%	0.08%
Real assets	15.00%	5.75%	0.86%
Private equity	9.00%	9.95%	0.89%
Absolute return	16.00%	2.85%	0.46%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Municipal Bond Index Rate. The discount rate was reduced to 6.95 percent from 7.20 percent from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 12,970,292	\$ 6,328,638	\$ 797,895
Public Safety System	6,117,664	3,120,976	688,324
Tier 2 Public Employee System	402,976	100,588	(132,780)
Tier 2 Public Safety and Firefighter	67,578	8,960	(35,898)
Total	\$ 19,558,510	\$ 9,559,162	\$ 1,317,541

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

Defined Contribution Savings Plan

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

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

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

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>401 (k) Plan</i>			
Employer Contributions	\$ 96,645	\$ 86,209	\$ 63,760
Employee Contributions	\$ 35,373	\$ 39,100	\$ 37,891

<i>457 Plan</i>			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 489	\$ -	\$ -

<i>Roth IRA Plan</i>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 61,705	\$ 44,470	\$ 29,018

<i>Traditional IRA</i>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ -	\$ 1,250	\$ 1,595

4. G. SUBSEQUENT EVENTS

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

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REQUIRED SUPPLEMENTARY INFORMATION

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SPANISH FORK CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Changes in Assumptions Related to Pensions

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year

SPANISH FORK CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Utah Retirement Systems
Last 10 Fiscal Years*

	Noncontributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Proportion of the net pension liability (asset)	2015 0.7580962%	1.0812842%	0.1617363%	0.2023030%
	2016 0.7778810%	1.1538440%	0.0171388%	0.2509637%
	2017 0.8043046%	1.1807616%	0.1880264%	0.2378124%
	2018 0.8335616%	1.1948197%	0.2198402%	0.3462816%
	2019 0.8594345%	1.2131674%	0.2348667%	0.3575857%
Proportionate share of the net pension liability (asset)	2015 \$ 3,291,832	\$ 1,359,805	\$ (4,901)	\$ (2,993)
	2016 \$ 4,401,629	\$ 2,066,825	\$ (374)	\$ (3,667)
	2017 \$ 5,164,320	\$ 2,396,091	\$ 20,974	\$ (2,064)
	2018 \$ 3,652,083	\$ 1,874,264	\$ 19,383	\$ (4,007)
	2019 \$ 6,328,638	\$ 3,120,976	\$ 100,588	\$ 8,960
Covered Employee Payroll	2015 \$ 6,433,835	\$ 1,579,886	\$ 794,624	\$ 83,973
	2016 \$ 6,571,249	\$ 1,692,697	\$ 1,107,243	\$ 149,361
	2017 \$ 6,903,588	\$ 1,743,639	\$ 1,541,963	\$ 196,486
	2018 \$ 6,977,545	\$ 1,739,944	\$ 2,151,729	\$ 365,405
	2019 \$ 7,117,204	\$ 1,738,220	\$ 2,740,105	\$ 478,878
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2015 51.2000000%	86.1000000%	-0.6000000%	-3.6000000%
	2016 66.9800000%	122.1000000%	-0.0300000%	-0.2460000%
	2017 74.8100000%	137.4000000%	1.3600000%	-1.0500000%
	2018 52.3400000%	107.7000000%	0.9000000%	-1.1000000%
	2019 88.9200000%	179.5500000%	3.6700000%	1.8700000%
Plan fiduciary net position as a percentage of the total pension liability.	2015 90.2000000%	90.5000000%	103.5000000%	120.5000000%
	2016 87.8000000%	87.1000000%	100.2000000%	110.7000000%
	2017 87.3000000%	86.5000000%	95.1000000%	103.6000000%
	2018 91.9000000%	90.2000000%	97.4000000%	103.0000000%
	2019 87.0000000%	84.7000000%	90.8000000%	95.6000000%

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

SPANISH FORK CITY
SCHEDULE OF CONTRIBUTIONS
Utah Retirement Systems
Last 10 Fiscal Years*

As of Fiscal year ended June 30	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution		Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System						
2015	\$ 1,188,850	\$	1,188,850	\$ -	\$ 6,490,086	18.32%
2016	1,232,880		1,232,880	-	6,738,212	18.30%
2017	1,274,437		1,274,437	-	6,972,376	18.28%
2018	1,279,367		1,279,367	-	7,022,987	18.22%
2019	1,279,367		1,279,367	-	7,022,987	18.22%
Public Safety System						
2015	\$ 559,347	\$	559,347	\$ -	\$ 1,647,057	33.96%
2016	585,803		585,803	-	1,723,555	33.99%
2017	595,387		595,387	-	1,749,030	34.04%
2018	588,532		588,532	-	1,729,410	34.03%
2019	588,532		58,532	-	1,729,410	34.03%
Tier 2 Public Employees System*						
2015	\$ 151,634	\$	151,634	\$ -	\$ 1,024,321	14.80%
2016	189,010		189,010	-	1,276,697	14.80%
2017	281,807		281,807	-	1,890,051	14.91%
2018	362,112		362,112	-	2,398,374	15.10%
2019	362,112		362,112	-	2,398,374	15.10%
Tier 2 Public Safety and Firefighter System*						
2015	\$ 28,463	\$	28,463	\$ -	\$ 126,220	22.55%
2016	38,350		38,350	-	170,444	22.50%
2017	59,687		59,687	-	265,276	22.50%
2018	100,657		100,657	-	446,619	22.54%
2019	100,657		100,657	-	446,619	22.54%
Tier 2 Public Employees DC Only System*						
2015	\$ -	\$	-	\$ -	\$ -	0.00%
2016	4,560		4,560	-	68,155	6.69%
2017	10,751		10,751	-	160,707	6.69%
2018	21,094		21,094	-	315,310	6.69%
2019	21,094		21,094	-	315,310	6.69%

*Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 Systems.

Tier 2 Systems were created effectively July 1, 2011

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

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

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SUPPLEMENTARY INFORMATION

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Spanish Fork City
Combining Balance Sheet
Non-Major Governmental Funds
As of June 30, 2019

	Special Revenue	Debt Service		Capital Projects									
		Debt Service Fund	Special Fund	Cemetery Driveway Fund	Canyon Creek Fund	Land Acquisition Fund	Airport Projects Fund	River Reclamation Fund	Golf Course Impr. Fund	Canyon Road Intersection Fund	Fire Station Fund	Street Cut Bridge Fund	
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 24,917	\$ 413,361	\$ 1,513,396	\$ 224,951	\$ 79,821	\$ 158,082	\$ 15,867	\$ 1,276,763	\$ 3,601,484	
Due from other funds	119,083	20,137	1,635	1,081	17,939	65,679	9,762	3,464	6,860	689	55,409	156,298	
Restricted Assets:													
Cash and cash equivalents	2,743,946	464,001	37,669	-	-	-	-	-	-	-	-	-	
Total assets	\$ 2,863,029	\$ 484,138	\$ 39,304	\$ 25,998	\$ 431,300	\$ 1,579,075	\$ 234,713	\$ 83,285	\$ 164,942	\$ 16,556	\$ 1,332,172	\$ 3,757,782	
LIABILITIES													
Accounts payable	\$ 3,880	\$ -	\$ -	\$ 15,849	\$ 1,750	\$ -	\$ -	\$ 29,372	\$ 19,036	\$ -	\$ 2,250	\$ 16,706	
Total liabilities	3,880	-	-	15,849	1,750	-	-	29,372	19,036	-	2,250	16,706	
FUND BALANCES													
Restricted for:													
Redevelopment	2,859,149	-	-	-	-	-	-	-	-	-	-	-	
Debt service	-	484,138	39,304	10,149	-	-	-	-	-	-	-	-	
Committed for:													
Capital projects	-	-	-	-	429,550	1,579,075	234,713	53,913	145,906	16,556	1,329,922	3,741,076	
Total fund balances	2,859,149	484,138	39,304	10,149	429,550	1,579,075	234,713	53,913	145,906	16,556	1,329,922	3,741,076	
Total liabilities and fund balance	\$ 2,863,029	\$ 484,138	\$ 39,304	\$ 25,998	\$ 431,300	\$ 1,579,075	\$ 234,713	\$ 83,285	\$ 164,942	\$ 16,556	\$ 1,332,172	\$ 3,757,782	

Spanish Fork City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue	Debt Service				Capital Projects							
		Debt Service Fund	Special Guarantee Fund	Cemetery Driveway Fund	Canyon Creek Fund	Land Acquisition Fund	Airport Projects Fund	River Reclamation Fund	Golf Course Improvements Fund	Canyon Road Fund	Fire Station Fund	Street Cut Bridge Fund	
REVENUES:													
Taxes	\$ 1,034,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Sundry revenues	1,130,873	797,497	-	-	55,365	-	-	-	-	-	1,238,068	-	
Intergovernmental	-	-	-	-	-	-	364,610	2,122,583	-	-	-	2,447,546	
Interest income	53,837	20,294	-	-	-	-	-	-	-	-	-	-	
Total revenues	<u>2,219,021</u>	<u>817,791</u>	<u>-</u>	<u>-</u>	<u>55,365</u>	<u>-</u>	<u>364,610</u>	<u>2,122,583</u>	<u>-</u>	<u>-</u>	<u>1,238,068</u>	<u>2,447,546</u>	
EXPENDITURES:													
Current Expenditures:													
RDA	1,671,476	-	-	-	-	-	-	-	-	-	-	-	
Debt service:													
Principal retirement	-	1,100,000	-	-	-	-	-	-	-	-	-	-	
Interest and fiscal charges	-	570,350	-	-	-	-	-	-	-	-	-	-	
Capital outlay	-	-	-	129,851	-	107,195	350,666	2,339,182	151,593	-	53,146	-	
Total expenditures	<u>1,671,476</u>	<u>1,670,350</u>	<u>-</u>	<u>129,851</u>	<u>-</u>	<u>107,195</u>	<u>350,666</u>	<u>2,339,182</u>	<u>151,593</u>	<u>-</u>	<u>53,146</u>	<u>-</u>	
Excess of revenues over (under) expenditures	547,545	(852,559)	-	(129,851)	55,365	(107,195)	13,944	(216,599)	(151,593)	-	1,184,922	2,447,546	
Other financing sources (uses):													
Transfers in (out)	335,253	871,997	-	140,000	-	1,600,000	105,000	-	183,022	-	145,000	1,000,000	
Total other financing sources (uses)	<u>335,253</u>	<u>871,997</u>	<u>-</u>	<u>140,000</u>	<u>-</u>	<u>1,600,000</u>	<u>105,000</u>	<u>-</u>	<u>183,022</u>	<u>-</u>	<u>145,000</u>	<u>1,000,000</u>	
Excess of revenues and other sources over (under) expenditures and other uses	882,798	19,438	-	10,149	55,365	1,492,805	118,944	(216,599)	31,429	-	1,329,922	3,447,546	
Fund balances - beginning of year	1,976,351	464,700	39,304	-	374,185	86,270	115,769	270,512	114,477	16,556	-	293,530	
Fund balances - end of year	<u>\$ 2,859,149</u>	<u>\$ 484,138</u>	<u>\$ 39,304</u>	<u>\$ 10,149</u>	<u>\$ 429,550</u>	<u>\$ 1,579,075</u>	<u>\$ 234,713</u>	<u>\$ 53,913</u>	<u>\$ 145,906</u>	<u>\$ 16,556</u>	<u>\$ 1,329,922</u>	<u>\$ 3,741,076</u>	

Spanish Fork City
Combining Statement of Net Position
Non-Major Proprietary Funds
As of June 30, 2019

	Business-Type Activities - Enterprise Funds		
	Garbage Fund	Gun Club Fund	Total Other Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,245,287	\$ 180,924	\$ 1,426,211
Accounts receivable	199,995	-	199,995
Allowance for doubtful accounts	(1,729)	-	(1,729)
Due from other funds	54,043	7,834	61,877
Inventory	-	8,100	8,100
Total current assets	<u>1,497,596</u>	<u>196,858</u>	<u>1,694,454</u>
Noncurrent assets:			
Capital Assets:			
Land	217,906	-	217,906
Buildings	113,751	28,116	141,867
Improvements	37,378	95,473	132,851
Equipment	1,352,582	84,120	1,436,702
Less: accumulated depreciation	(1,178,292)	(151,393)	(1,329,685)
Other Assets:			
Equity in joint venture	1,681,483	-	1,681,483
Total noncurrent assets	<u>2,224,808</u>	<u>56,316</u>	<u>2,281,124</u>
Total assets	<u>3,722,404</u>	<u>253,174</u>	<u>3,975,578</u>
Deferred outflows of resources due to pensions	<u>17,774</u>	<u>1,147</u>	<u>18,921</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,740,178</u>	<u>\$ 254,321</u>	<u>\$ 3,994,499</u>
LIABILITIES			
Current liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Accrued Liabilities	-	684	684
Accounts payable	194,788	5,689	200,477
Compensated absences	10,605	684	11,289
Customer Deposits Payable	-	-	-
Total current liabilities	<u>205,393</u>	<u>7,057</u>	<u>212,450</u>
Noncurrent liabilities:			
Net pension liability	35,578	2,295	37,873
Total noncurrent liabilities	<u>35,578</u>	<u>2,295</u>	<u>37,873</u>
Total liabilities	<u>240,971</u>	<u>9,352</u>	<u>250,323</u>
Deferred inflows of resources due to pensions	<u>1,084</u>	<u>70</u>	<u>1,154</u>
Net Position			
Net investment in capital assets	543,325	56,316	599,641
Restricted for:			
Impact fees	-	-	-
Unrestricted	2,954,798	188,583	3,143,381
Total Net Position	<u>\$ 3,498,123</u>	<u>\$ 244,899</u>	<u>\$ 3,743,022</u>

Spanish Fork City
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds		
	Garbage Fund	Gun Club Fund	Total Other Funds
Operating revenues:			
Charges for sales and services	\$ 2,183,275	\$ 156,425	\$ 2,339,700
Other income	-	(149)	(149)
Total operating revenues	<u>2,183,275</u>	<u>156,276</u>	<u>2,339,551</u>
Operating expenses:			
Landfill fees	751,796	-	751,796
Employee salaries	116,909	53,178	170,087
Materials and supplies	146,819	75,148	221,967
Repairs and maintenance	382	4,592	4,974
Professional services	465,812	23,131	488,943
Motorpool charges	8,833	1,371	10,204
Utilities	19,796	13,618	33,414
Insurance	3,413	656	4,069
Depreciation	73,131	4,228	77,359
Capital Outlay	-	-	-
Indirect services	136,457	-	136,457
Sundry charges	669,164	-	669,164
Total operating expenses	<u>2,392,512</u>	<u>175,922</u>	<u>2,568,434</u>
Operating income	<u>(209,237)</u>	<u>(19,646)</u>	<u>(228,883)</u>
Nonoperating revenues (expenses):			
Pension benefit expense	10,050	605	10,655
Pension expense	(11,871)	(766)	(12,637)
Change in joint venture equity	108,704	-	108,704
Contributions from private contractors	-	-	-
Total nonoperating revenues (expenses)	<u>106,883</u>	<u>(161)</u>	<u>106,722</u>
Income (loss) before operating transfers	<u>(102,354)</u>	<u>(19,807)</u>	<u>(122,161)</u>
Operating transfers:			
Operating transfers in/(out)	(69,364)	-	(69,364)
Total operating transfers	<u>(69,364)</u>	<u>-</u>	<u>(69,364)</u>
Change in Net Position	(171,718)	(19,807)	(191,525)
Total Net Position - beginning	3,669,841	264,706	3,934,547
Total Net Position - ending	<u>\$ 3,498,123</u>	<u>\$ 244,899</u>	<u>\$ 3,743,022</u>

Spanish Fork City
Combining Statement Cash Flows
Non-Major Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds		
	Garbage Fund	Gun Club Fund	Total Non-Major Funds
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,173,394	\$ 156,425	\$ 2,329,819
Other cash receipts	-	(149.00)	(149)
Payments to suppliers	(2,139,449)	(106,567)	(2,246,016)
Payments to employees	(115,790)	(53,082)	(168,872)
Net cash provided (used) by operating activities	(81,845)	(3,373)	(85,218)
Cash Flows From Noncapital Financing Activities			
Increase (decrease) in due from other funds	(42,791)	(6,349)	(49,140)
Increase (decrease) in due to other funds	-	-	-
Transfers in (out)	(69,364)	-	(69,364)
Net cash provided (used) by noncapital activities	(112,155)	(6,349)	(118,504)
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	-	-	-
Contributions from private contractors	-	-	-
Impact fees collected	-	-	-
Net cash provided (used) by capital and related financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	(194,000)	(9,722)	(203,722)
Cash balance, beginning	1,439,287	190,646	1,629,933
Cash balance, ending	<u>\$ 1,245,287</u>	<u>\$ 180,924</u>	<u>\$ 1,426,211</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	(209,237)	(19,646)	(228,883)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	73,131	4,228	77,359
(Increase) decrease in accounts receivable	(9,881)	-	(9,881)
(Increase) decrease in inventory	-	12,718	12,718
Increase (decrease) in customer deposits	-	-	-
Increase (decrease) in accrued liabilities	63,023	(769)	62,254
(Increase) decrease in compensated absences	1,119	96	1,215
Total adjustments	127,392	16,273	143,665
Net cash provided (used) by operating activities	<u>(81,845)</u>	<u>(3,373)</u>	<u>(85,218)</u>

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OTHER REPORTS

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

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

Mayor and Council Members:

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 Spanish Fork City, Utah (herein referred to as the “City”), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Spanish Fork City’s basic financial statements and have issued our report thereon dated December 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Larson & Company, PC".

Larson & Company, PC

Spanish Fork, Utah
December 6, 2019



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

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

Report on Compliance with General State Compliance Requirements

We have audited Spanish Fork City's (herein referred to as 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, 2019

The general compliance requirements applicable to the City are identified as follows:

Budgetary Compliance	Restricted Taxes and Related Revenues
Fund Balance	Open and Public Meetings Act
Utah Retirement Systems Compliance	Public Treasurer's Bond
Cash Management	Enterprise Fund Transfers, Reimbursements, Loans, and Services

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.

Opinion

In our opinion, Spanish Fork City, complied, in all material respects, with the general compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in our letter to management dated December 6, 2019 as items SC-2019.1 and SC-2019.2. Our opinion on compliance is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in our letter to management. The City's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

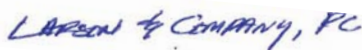
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of Report

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



Larson & Company, PC

Spanish Fork, Utah
December 6, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Spanish Fork City, Utah's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Spanish Fork City's major federal programs for the year ended June 30, 2019. Spanish Fork City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Spanish Fork City's major federal programs based on our audit of the types of 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Spanish Fork 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 for each major federal program. However, our audit does not provide a legal determination of Spanish Fork City's compliance.

Opinion on Each Major Federal Program

In our opinion, Spanish Fork City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Spanish Fork City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Spanish Fork City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Spanish Fork 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 type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance, which we consider to be material weaknesses.

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

A handwritten signature in blue ink that reads "Larson & Company, PC". The signature is written in a cursive, slightly slanted style.

Larson & Company, PC

Spanish Fork, Utah
December 6, 2019

Spanish Fork City
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

SUMMARY OF AUDIT RESULTS

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

Community Development Block Grant	14.218
-----------------------------------	--------
8. The threshold for distinguishing Types A and B programs is \$750,000 of federal awards expended.
9. Spanish Fork City was determined not to be a low-risk auditee.

Spanish Fork City
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2019

FINANCIAL STATEMENT FINDINGS

No findings noted during current audit

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during current audit

SUMMARY OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS

No findings noted during prior audit.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during prior audit

Spanish Fork City
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-Thru/ Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Contract	Amount of Expenditures
Direct Assistance:			
U.S. Department of Transportation			
Aiport Improvement Program - FAA	20.106		358,848
State and Community Highway Safety	20.600		6,263
Total Department of Transportation			\$ 365,112
 Total Direct Assistance:			 \$ 365,112
Indirect Assistance:			
U.S. Department of Housing and Urban Development			
Mountainland Association of Governments (pass-through entity)			
* Community Development Block Grant	14.218		2,687,363
Total U.S. Department of Housing and Urban Development:			2,687,363
 Total Indirect Assistance			 \$ 2,687,363
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 \$ 3,052,475
* Major Program			

Spanish Fork City
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

1. GENERAL

The accompanying schedule of expenditures of federal awards (the schedule) includes the grant activity of Spanish Fork City (the City) under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The City reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards. Because the schedule presents only a selected portion of the operations of Spanish Fork City, it is not intended to and does not present the financial position, changes in net position, or cash flows of Spanish Fork City.

2. BASIS OF ACCOUNTING

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

Pass-through entity identifying numbers are presented where available.

3. NON-CASH ASSISTANCE

The City did not receive any non-cash assistance

4. LOANS OUTSTANDING

The City has no federal loans outstanding through as of June 30, 2019.

4. DE MINIMIS INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate.

SPANISH FORK CITY
COMMUNICATION TO THOSE
CHARGED WITH GOVERNANCE
JUNE 30, 2019

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 17, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Spanish Fork City are described in Note 1 to the financial statements. Management has reviewed the applicability and adopted GASB 88 *Certain disclosures related to debt, including direct borrowings and direct placements*. No other new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 6, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters


We applied certain limited procedures to the combining and individual fund statements and schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining and Individual Fund Statements and Schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the management of Spanish Fork City and the Utah State Auditor's Office and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Larson & Company, PC

Spanish Fork, Utah
December 6, 2019

State Compliance Findings – Current Year

SC-2019.1

Condition: The Garbage Fund exceeded budgeted appropriations at year end.

Criteria: *Utah State Code* 10-6-123 states that “City officers may not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or as subsequently amended.”

Cause of condition: Internal control deficiency in review process of budget to actual results.

Potential effect of condition: Non-compliance with Utah State Law

Recommendation: Management and those charged with governance should review actual expenditures to budgeted appropriations on a frequent and regular basis. Controls should be implemented to prevent the approval of expenditures that exceed budgeted appropriations.

Client response: The City will stress the importance of staying within budget. Management and governance will review budget to actual results on a regular basis, and disallow expenditures that are in excess of budget appropriations.

SC-2019.2

Condition: Certain public meeting minutes were not posted to the **Utah Public Notice Website** (the website) in the required time frame after the minutes have were approved.

Criteria: *Utah State Code* 52-4-203(4)(e)(ii)(A) states “within three business days after approving written minutes of an open meeting: post to the state website a copy of the approved minutes and any public materials distributed at the meeting”.

Cause of condition: Internal control deficiency to ensure all public meeting agendas and minutes are posted to the website within the required period.

Potential effect of condition: Non-compliance with Utah State Law

Recommendation: Management should review and identify internal controls over this procedure to ensure that they are sufficient to prevent noncompliance going forward. Internal controls should include review controls to verify procedures are accomplished timely and accurately.

Client response: The City will establish a procedure to enforce the posting of approved minutes and agendas on the Utah Public Notice Website within 3 days of approval.

Internal Control Findings – Current Year

No Internal Control findings noted in current year.

Status of State Compliance Findings – Prior Year

No Internal Control findings noted in prior year.

Status of Internal Control Findings – Prior Year

No Internal Control findings noted in prior year.

APPENDIX B

AMENDED AND RESTATED GENERAL INDENTURE OF TRUST

Reference is made to the Indenture, for full details of all of the terms of the 2020 Bonds, the security provisions appertaining thereto, and the definition of any terms used but not defined in this OFFICIAL STATEMENT.

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

AMENDED AND RESTATED GENERAL INDENTURE OF TRUST

November 1, 2020

between

SPANISH FORK CITY, UTAH

and

ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
as Trustee

Relating to

SPANISH FORK CITY, UTAH

WATER REVENUE BONDS

Amending and Restating that certain General Indenture of Trust
dated as of October 1, 1998

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<u>EXHIBIT A</u>	<u>FORM OF REQUISITION</u>	A-1
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THIS GENERAL INDENTURE OF TRUST, dated as of August 1, 2020, by and between SPANISH FORK CITY, UTAH (the “Issuer”), a political subdivision and body politic duly organized and existing under the Constitution and laws of the State of Utah, and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, authorized by law to accept and execute trusts and having its corporate trust office in Salt Lake City, Utah, as trustee (the “Trustee”),

W I T N E S S E T H:

WHEREAS, the Issuer has entered into a General Indenture of Trust, dated as of October 1, 1998 (the “Original Indenture”) with the Trustee; and

WHEREAS, Section 9.2 of the Original Indenture permits the Issuer and the Trustee, with consent of the owners of the Registered Owners of the Bonds then Outstanding; and

WHEREAS, the Issuer desires to amend the Original Indenture by executing this Amended and Restated General Indenture, dated as of _____ 1, 2020 (the “Amended and Restated General Indenture”); and

WHEREAS, the Issuer has previously issued its Water Revenue Bonds, Series 2011, Water Revenue Bonds, Series 2012, and Water Revenue Bonds, Series 2020 pursuant to the Original Indenture;

WHEREAS, as of the Effective Date (as hereinafter defined), the execution and delivery of this Amended and Restated General Indenture will have in all respects be duly authorized and all things necessary to make this Amended and Restated General Indenture a valid and binding agreement will have been done; and

WHEREAS, the Issuer desires to finance improvements to its existing water system, as further described herein (the “System”), including, but not limited to additions, extensions, buildings and other improvements to house and operate said facilities, to refund and retire existing obligations, to fund debt service reserves, and to pay issuance expenses to be incurred in connection with the issuance and sale of the Bonds herein authorized and defined; and

WHEREAS, the Issuer anticipates that the Revenues, after payment of Operation and Maintenance Expenses (the “Net Revenues”) will be sufficient to pay debt service on the Bonds issued hereunder; and

WHEREAS, the Net Revenues will not be pledged or hypothecated in any manner or for any purpose at the time of the issuance of the Initial Bonds (as herein defined) and the Issuer desires to pledge said Net Revenues toward the payment of the Principal and interest on said Bonds; and;

WHEREAS, pursuant to the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended, and/or the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code Annotated 1953, as amended (collectively, the “Act”), the Issuer is authorized to issue its bonds payable from a special fund into which the Net Revenues of the Issuer may be pledged.

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

For and in consideration of the premises, the mutual covenants of the Issuer and the Trustee, the purchase from time to time of the Bonds by the Registered Owners thereof, the issuance by the Security Instrument Issuers from time to time of Security Instruments and the issuance by Reserve Instrument Providers from time to time of Reserve Instruments, and in order to secure the payment of the Principal of and premium, if any, and interest on the Bonds, of all Security Instrument Repayment Obligations according to their tenor and effect and of all Reserve Instrument Repayment Obligations according to their tenor and effect and the performance and observance by the Issuer of all the covenants expressed or implied herein, in the Bonds, in all Security Instrument Agreements and in all Reserve Instrument Agreements, the Issuer does hereby convey, assign and pledge unto the Trustee and unto its successors in trust forever all right, title and interest of the Issuer in and to (i) the Net Revenues, (ii) all moneys in funds and accounts held by the Trustee hereunder (except the Rebate Fund), and (iii) all other rights hereinafter granted, first, for the further securing of the Bonds and all Security Instrument Repayment Obligations, and second, for the further security of all Reserve Instrument Repayment Obligations, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture and any Supplemental Indenture;

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby and hereafter conveyed and assigned, or agreed or intended so to be, to the Trustee and its respective successors and assigns in such trust forever;

IN TRUST NEVERTHELESS, upon the terms and trust set forth in this Indenture, FIRST, for the equal and proportionate benefit, security and protection of all Registered Owners of the Bonds issued pursuant to and secured by this Indenture and all Security Instrument Issuers without privilege, priority or distinction as to the lien or otherwise of any Bond or Security Instrument Repayment Obligation over any other by reason of time of issuance, sale, delivery, maturity or expiration

thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Indenture; and SECOND, for the equal and proportionate benefit, security and protection of all Reserve Instrument Providers, without privilege, priority or distinction as to the lien or otherwise of any Reserve Instrument Repayment Obligation over any of the others by reason of time of issuance, delivery or expiration thereof or otherwise for any cause whatsoever;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, the Principal and premium, if any, on the Bonds and the interest due or to become due thereon, at the times and in the manner mentioned in the Bonds, all Security Instrument Repayment Obligations, according to the true intent and meaning thereof and all Reserve Instrument Repayment Obligations, according to the true intent and meaning thereof, or shall provide, as permitted by this Indenture, for the payment thereof as provided in Article X hereof, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of this Indenture, then upon such final payments or provisions for such payments by the Issuer, this Indenture, and the rights hereby granted, shall terminate; otherwise this Indenture shall remain in full force and effect.

The terms and conditions upon which the Bonds are to be executed, authenticated, delivered, secured and accepted by all persons who from time to time shall be or become Registered Owners thereof, and the trusts and conditions upon which the Net Revenues are to be held and disposed, which said trusts and conditions the Trustee hereby accepts, are as follows:

ARTICLE I

DEFINITIONS

Section 1.1 **Definitions.** As used in this Indenture, the following terms shall have the following meanings unless the context otherwise clearly indicates:

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

“Acquisition/Construction Fund” means the Spanish Fork City, Utah, Water Revenue Acquisition/Construction Fund created in Section 3.1 hereof to be held by the Trustee and administered pursuant to Section 5.1 hereof.

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

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

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

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

“Amended and Restated General Indenture” means this Amended and Restated General Indenture of Trust.

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

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

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

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

“Bond Fund” means the Spanish Fork City, Utah, Water Revenue Bond Fund created in Section 3.3 hereof to be held by the Trustee and administered pursuant to Section 5.3 hereof.

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

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

“Bonds” means bonds, notes, commercial paper or other obligations (other than Repayment Obligations) authorized by and at any time Outstanding pursuant to this Indenture, including the Issuer’s Water Revenue Bonds, Series 2011; Water Revenue Bonds, Series 2012, Water Revenue Bonds, Series 2020; and any Additional Bonds.

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

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

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

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

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

“Corporate Trust Office” means the designated corporate trust office of the Trustee at which, at any particular time, its corporate trust business shall be administered, which at the date of execution of this Indenture is that specified in Section 11.4.

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

- (a) amounts payable to contractors and costs incident to the award of contracts;
- (b) cost of labor, facilities and services furnished by the Issuer and its employees or others, materials and supplies purchased by the Issuer or others and permits and licenses obtained by the Issuer or others;
- (c) engineering, architectural, legal, planning, underwriting, accounting and other professional and advisory fees;
- (d) premiums for contract bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;
- (e) interest expenses, including interest on the Series of Bonds relating to a Project, as permitted under the Act;
- (f) printing, engraving and other expenses of financing, fees of financial rating services and costs of issuing the Series of Bonds (including costs of interest rate caps and costs related to Interest Rate Swaps (or the elimination thereof));
- (g) costs, fees and expenses in connection with the acquisition of real and personal property or rights therein, including premiums for title insurance;
- (h) costs of furniture, fixtures, and equipment purchased by the Issuer and necessary to construct a Project;
- (i) amounts required to repay temporary or bond anticipation loans or notes made to finance the costs of a Project;
- (j) cost of site improvements performed by the Issuer in anticipation of a Project;
- (k) moneys necessary to fund the funds created under this Indenture;
- (l) costs of the capitalization with proceeds of a Series of Bonds issued hereunder of any operation and maintenance expenses and other working capital appertaining to any facilities to be acquired for a Project and of any interest on a Series of Bonds for any period not exceeding the period estimated by the Issuer to effect the construction of a Project plus one year, as herein provided, of any discount on bonds or other securities, and of any reserves for the payment of the Principal of and interest on a Series of Bonds, of any replacement expenses and of any other cost of issuance of a Series of Bonds or other securities, Security Instrument Costs and Reserve Instrument Costs;
- (m) costs of amending any indenture or other instrument authorizing the issuance of or otherwise appertaining to a Series of Bonds;
- (n) all other expenses necessary or desirable and appertaining to a Project, as estimated or otherwise ascertained by the Issuer, including costs of contingencies for a Project; and
- (o) payment to the Issuer of such amounts, if any, as shall be necessary to reimburse the Issuer in full for advances and payments theretofore made or costs theretofore incurred by the Issuer for any item of Costs.

In the case of refunding or redeeming any bonds or other obligations, “Cost” includes, without limiting the generality of the foregoing, the items listed in (c), (e), (f), (i), (k), (l), (m) and (o) above, advertising and other expenses related to the redemption

of such bonds to be redeemed and the redemption price of such bonds (and the accrued interest payable on redemption to the extent not otherwise provided for).

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

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

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

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

“Debt Service” means, for any particular Bond Fund Year and for any Series of Bonds and any Repayment Obligations, an amount equal to the sum of (i) all interest payable during such Bond Fund Year on such Series of Bonds, plus (ii) the Principal Installments payable during such Bond Fund Year on (a) such Bonds Outstanding, calculated on the assumption that Bonds Outstanding on the day of calculation cease to be Outstanding by reason of, but only by reason of, payment either upon maturity or application of any Sinking Fund Installments required by the Indenture, and (b) such Repayment Obligations then outstanding;

provided, however, for purposes of Section 2.13 hereof,

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

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

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

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

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

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

and further provided, that there shall be excluded from Debt Service (a) interest on Bonds (including Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest or capitalized interest is available to pay such interest, (b) Principal on Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are on deposit in an irrevocable escrow in satisfaction of the requirements of Section 11-27-3, Utah Code, as amended, and such proceeds or the earnings thereon are required to be applied to pay such Principal (subject to the possible use to pay the Principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such Principal, (c) Repayment Obligations to the extent that payments on Pledged Bonds relating to such Repayment Obligations satisfy the Issuer’s obligation to pay such Repayment Obligations and (d) all interest on Bonds to the extent of Direct Payments attributable to Debt Service on Outstanding Bonds or Additional Bonds proposed to be issued.

“Debt Service Reserve Fund” means the Spanish Fork City, Utah, Debt Service Reserve Fund created in Section 3.5 hereof to be held by the Trustee and administered pursuant to Section 5.5 hereof.

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

“Direct Obligations” means noncallable Government Obligations.

“Direct Payment Bonds” means any interest subsidy bonds or other tax credit bonds issuable by the Issuer under the Code of substantially similar nature.

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

“Effective Date” means _____, 2020.

“Escrowed Interest” means amounts irrevocably deposited in escrow in accordance with the requirements of Section 11-27-3, Utah Code, in connection with the issuance of Refunding Bonds or Cross-over Refunding Bonds secured by such amounts or earnings on such amounts which are required to be applied to pay interest on such Cross-over Refunding Bonds or the related Cross-over Refunded Bonds.

“Event of Default” means with respect to any default or event of default hereunder any occurrence or event specified in and defined by Section 7.1 hereof.

“Fitch” means Fitch Ratings.

“Governing Body” means the City Council of the Issuer.

“Government Obligations” means solely one or more of the following:

- (a) State and Local Government Series issued by the United States Treasury (“SLGS”);
- (b) United States Treasury bills, notes and bonds, as traded on the open market;

(c) Zero Coupon United States Treasury Bonds; and

(d) Any other direct obligations of or obligations unconditionally guaranteed by, the United States of America (including, without limitation, obligations commonly referred to as “REFCORP strips”).

“Impact Fees” means all impact fees received by the Issuer included in Revenues.

“Indenture” means this Amended and Restated General Indenture of Trust as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms of this Indenture.

“Initial Bonds” means the first Series of Bonds issued under the Original Indenture.

“Interest Payment Date” means the stated payment date of an installment of interest on the Bonds.

“Interest Rate Swap” means an agreement between the Issuer or the Trustee and a Swap Counterparty related to a Series of Bonds whereby (i) a variable rate cash flow (which may be subject to any interest rate cap) on a Principal or notional amount is exchanged for a fixed rate of return on an equal Principal or notional amount or (ii) a fixed rate cash flow on a Principal or notional amount is exchanged for a variable rate of return (which may be subject to any interest rate cap) on an equal Principal or notional amount. If the Issuer or the Trustee enters into more than one Interest Rate Swap with respect to a Series of Bonds, each Interest Rate Swap shall specify the same payment dates.

“Issuer” means Spanish Fork City, Utah, and its successors.

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

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

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

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

“Original Indenture” means the General Indenture of Trust dated as of October 1, 1998 between the Issuer and the Trustee. Upon the Effective Date, the Original Indenture shall be superseded by this Amended and Restated General Indenture.

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

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

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

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

“Paying Agent” means the Trustee, appointed as the initial paying agent for the Bonds pursuant to Sections 6.6 and 11.5 hereof, and any additional or successor paying agent appointed pursuant hereto.

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

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

the Accreted Amount and the initial public offering price being deemed interest), and (ii) with respect to any Current Interest Bond, the Principal amount of such Bond payable at maturity.

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

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

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

“Qualified Engineer” means any registered or licensed engineer or architect or engineer or firm of such engineers or architects and engineers generally recognized to be qualified in engineering matters relating to construction and maintenance of municipal water 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 Section 5.12 hereof.

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

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

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

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

“Rebate Fund” means the Spanish Fork City, Utah, Water Revenue Rebate Fund created in Section 3.8 hereof to be held by the Trustee and administered pursuant to Section 5.8 hereof.

“Register” means the record of ownership of the Bonds maintained by the Registrar.

“Registrar” means the Trustee (or other party designated as Registrar by Supplemental Indenture), appointed as the registrar for the Bonds pursuant to Sections 2.6, 6.5 and 11.5 hereof, and any additional or successor registrar appointed pursuant hereto.

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

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

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

“Repair and Replacement Fund” means the Spanish Fork City, Utah, Water Revenue Repair and Replacement Fund created in Section 3.7 hereof to be held by the Issuer and administered pursuant to Section 5.7 hereof.

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

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

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

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

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

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

“Reserve Instrument Fund” means the Spanish Fork City, Utah, Water Revenue Reserve Instrument Fund created in Section 3.6 hereof to be held by the Trustee and administered pursuant to Section 5.6 hereof.

“Reserve Instrument Limit” means, as of any date of calculation and with respect to any Reserve Instrument, the maximum aggregate amount available to be paid under such Reserve Instrument into the Debt Service Reserve Fund assuming for purposes of such calculation that the amount initially available under each Reserve Instrument has not been reduced or that the amount initially available under each Reserve Instrument has only been reduced as a result of the payment of Principal of the applicable Series of Bonds.

“Reserve Instrument Provider” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other institution issuing a Reserve Instrument.

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

“Revenue Fund” means the Spanish Fork City, Utah, Water Revenue Fund created in Section 3.2 hereof to be held by the Issuer and administered pursuant to Section 5.2 hereof.

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

“S&P” means S&P Global Ratings.

“Security Instrument” means an instrument or other device issued by a Security Instrument Issuer to pay, or to provide security or liquidity for, a Series of Bonds. The term “Security Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit and other security instruments and credit enhancement or liquidity devices (but does not include a Reserve Instrument); provided, however, that no such device or instrument shall be a “Security Instrument” for purposes of this Indenture unless specifically so designated in a Supplemental Indenture authorizing the use of such device or instrument.

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

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

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

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

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

“Sinking Fund Account” means the Spanish Fork City, Utah, Water Revenue Sinking Fund Account of the Bond Fund created in Section 3.4 hereof to be held by the Trustee and administered pursuant to Section 5.4 hereof.

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

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

“State” means the State of Utah.

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

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

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

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

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

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

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

“Trustee” means Zions Bancorporation, National Association or any successor corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee hereunder.

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

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

“Year” means any twelve consecutive month period.

Section 1.2 Indenture to Constitute Contract. In consideration of the purchase and acceptance from time to time of any and all of the Bonds authorized to be issued hereunder by the Registered Owners thereof, the issuance from time to time of any and all Security Instruments by Security Instrument Issuers, and the issuance from time to time of any and all Reserve Instruments by Reserve Instrument Providers pursuant hereto, this Indenture shall be deemed to be and shall constitute a contract between the Issuer and the Owners from time to time of the Bonds, the Security Instrument Issuers and the Reserve Instrument Providers; and the pledge made in this Indenture and the covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be, FIRST, for the equal benefit, protection and security of the Owners of any and all of the Bonds and the Security Instrument Issuers of any and all of the Security Instruments all of which, regardless of the time or times of their issuance, delivery, maturity or expiration, shall be of equal rank without preference, priority or distinction of any of the Bonds or Security Instrument Repayment Obligations over any others, except as expressly provided in or permitted by this Indenture, and SECOND, for the equal benefit, protection and security of the Reserve Instrument Providers of any and all of the Reserve Instruments which, regardless of the time or times of their issuance, delivery or termination, shall be of equal rank without preference, priority or distinction of any Reserve Instrument over any other thereof.

Section 1.3 Construction. This Indenture, except where the context by clear implication herein otherwise requires, shall be construed as follows:

- (a) The terms “hereby,” “hereof,” “herein,” “hereto,” “hereunder,” and any similar terms used in this Indenture shall refer to this Indenture in its entirety unless the context clearly indicates otherwise.
- (b) Words in the singular number include the plural, and words in the plural include the singular.
- (c) Words in the masculine gender include the feminine and the neuter, and when the sense so indicates, words of the neuter gender refer to any gender.
- (d) Articles, sections, subsections, paragraphs and subparagraphs mentioned by number, letter, or otherwise, correspond to the respective articles, sections, subsections, paragraphs and subparagraphs hereof so numbered or otherwise so designated.
- (e) The titles or headlines applied to articles, sections and subsections herein are inserted only as a matter of convenience and ease in reference and in no way define, limit or describe the scope or intent of any provisions of this Indenture.

ARTICLE II

THE BONDS

Section 2.1 Authorization of Bonds. There is hereby authorized for issuance hereunder Bonds which may, if and when authorized by Supplemental Indenture, be issued in one or more separate Series. Each Series of Bonds shall be authorized by a Supplemental Indenture, which shall state the purpose or purposes for which each such Series of Bonds is being issued. The aggregate Principal amount of Bonds which may be issued shall not be limited except as provided herein or as may be limited by law provided that the aggregate Principal amount of Bonds of each such Series shall not exceed the amount specified in the Supplemental Indenture authorizing each Series of Bonds.

Section 2.2 Description of Bonds; Payment.

(a) Each Series of Bonds issued under the provisions hereof may be issued only as registered bonds. Unless otherwise specified in the Supplemental Indenture authorizing such Series of Bonds, each Series of Bonds shall be in the denomination of Five Thousand Dollars (\$5,000) each or any integral multiple thereof, shall be numbered consecutively from R-1 upwards and shall bear interest payable on each Interest Payment Date.

(b) Each Series of Bonds issued under the provisions hereof shall be dated, shall bear interest at a rate or rates not exceeding the maximum rate permitted by law on the date of initial issuance of such Series, shall be payable on the days, shall be stated to mature on the days and in the years and shall be subject to redemption prior to their respective maturities, all as set forth in the Supplemental Indenture authorizing such Series of Bonds. Each Series of Bonds shall be designated “[Taxable] Water Revenue [Refunding] Bonds, Series _____,” in each case inserting the year in which the Bonds are issued and, if necessary, an identifying Series letter.

(c) Both the Principal of and the interest on the Bonds shall be payable in lawful money of the United States of America. Payment of the interest on any Bond shall be made to the person appearing on the Bond registration books of the Registrar hereinafter provided for as the Registered Owner thereof by check or draft mailed on the Interest Payment Date to the Registered Owner at his address as it appears on such registration books or to owners of \$1,000,000 or more in aggregate Principal amount of Bonds (or owners of 100% of any Series then Outstanding) by wire transfer to a bank account located in the United States designated by the Registered Owner in written instructions furnished to the Trustee no later than the Regular Record Date for such payment. Unless otherwise specified in the related Supplemental Indenture, the interest on Bonds so payable, and punctually paid and duly provided for, on any Interest Payment Date will be paid to the person who is the Registered Owner thereof at the close of business on the Regular Record Date for such interest immediately preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner of any Bond on such Regular Record Date, and will be paid to the person who is the Registered Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof to be given to such Registered Owner not less than ten (10) days prior to such Special Record Date. The Principal of and premium, if any, on Bonds are payable upon presentation and surrender thereof or as provided in Section 2.6 hereof at the Corporate Trust Office of the Trustee as Paying Agent, except as otherwise provided by Supplemental Indenture. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(d) The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions hereof as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board or otherwise, as may be specified in the Supplemental Indenture authorizing such Series of Bonds.

Section 2.3 Execution; Limited Obligation. Unless otherwise specified in the related Supplemental Indenture, the Bonds of any Series shall be executed on behalf of the Issuer with the manual or official facsimile signature of its Mayor, countersigned with the manual or official facsimile signature of the City Recorder, and shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the Issuer. In case any officer, the facsimile of whose signature shall appear on the Bonds, shall cease to be such officer before the delivery of such Bonds, such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

The Bonds, together with interest thereon, and all Repayment Obligations shall be limited obligations of the Issuer payable solely from the Net Revenues (except to the extent paid out of moneys attributable to the Bond proceeds or other funds created hereunder and held by the Trustee (except the Rebate Fund) or the income from the temporary investment thereof) and Other Available Funds. The Bonds shall be a valid claim of the Registered Owners thereof only against the Net Revenues and other moneys in funds and accounts held by the Trustee hereunder (except the Rebate Fund) and the Issuer hereby pledges and

assigns the same for the equal and ratable payment of the Bonds and all Repayment Obligations, and the Net Revenues shall be used for no other purpose than to pay the Principal of, premium, if any, and interest on the Bonds and to pay the Repayment Obligations, except as may be otherwise expressly authorized herein or by Supplemental Indenture. The issuance of the Bonds and delivery of any Security Instrument Agreement or Reserve Instrument Agreement shall not, directly, indirectly or contingently, obligate the Issuer or any agency, instrumentality or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment.

The provisions of this Section 2.3 relating to the execution of Bonds may be changed as they apply to the Bonds of any Series by the Supplemental Indenture authorizing such Series of Bonds.

Section 2.4 Authentication and Delivery of Bonds.

(a) The Issuer shall deliver executed Bonds of each Series to the Trustee for authentication. Subject to the satisfaction of the conditions for authentication of Bonds set forth herein, the Trustee shall authenticate such Bonds, and deliver them upon the order of the Issuer to the purchasers thereof (or hold them on their behalf) upon the payment by the purchasers to the Trustee for the account of the Issuer of the purchase price therefor. Delivery by the Trustee shall be full acquittal to the purchasers for the purchase price of such Bonds, and such purchasers shall be under no obligation to see to the application thereof. The proceeds of the sale of such Bonds shall, however, be disposed of only as provided herein and in the related Supplemental Indenture.

(b) No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit hereunder, unless and until a certificate of authentication on such Bond substantially in the form set forth in the Supplemental Indenture authorizing such Bond shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered hereunder. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder.

(c) Prior to the authentication by the Trustee of each Series of Bonds there shall have been filed with the Trustee:

(i) A copy, duly certified by the City Recorder, of this Indenture (to the extent not theretofore so filed) and the Supplemental Indenture authorizing such Series of Bonds.

(ii) A copy, certified by the City Recorder, of the proceedings of the Issuer's Governing Body approving the execution and delivery of the instruments specified in Section 2.4(c)(i) herein and the execution and delivery of such Series of Bonds, together with a certificate, dated as of the date of authentication of such Series of Bonds, of the City Recorder that such proceedings are still in force and effect without amendments except as shown in such proceedings.

(iii) A request and authorization to the Trustee of the Issuer to authenticate such Series of Bonds in the aggregate Principal amount therein specified and deliver them to purchasers therein identified upon payment to the Trustee, for account of the Issuer, of the sum specified therein.

(iv) An opinion of bond counsel dated the date of authentication of such Series of Bonds substantially to the effect that (a) the Issuer has authorized the execution and delivery of this Indenture and this Indenture has been duly executed and delivered by the Issuer and is a valid and binding obligation of the Issuer; (b) this Indenture creates a valid pledge on the Net Revenues; and (c) the Bonds of such Series are valid and binding special obligations of the Issuer, provided that such opinion may contain limitations acceptable to the purchaser of such Series of Bonds.

(d) The Issuer may provide by Supplemental Indenture for the delivery to the Trustee of one or more Security Instruments (or may substitute one Security Instrument for another) with respect to any Series of Bonds and the execution and delivery of any Security Instrument Agreements deemed necessary in connection therewith.

(e) The Issuer may provide by Supplemental Indenture for the issuance and delivery to the Trustee of one or more Reserve Instruments and the execution and delivery of any Reserve Instrument Agreements deemed necessary in connection therewith.

(f) The Issuer may authorize by Supplemental Indenture the issuance of Put Bonds; provided that any obligation of the Issuer to pay the purchase price of any such Put Bonds shall not be secured by a pledge of Revenues on a parity with the pledge contained in Section 6.2 hereof. The Issuer may provide for the appointment of such Remarketing Agents, indexing agents, tender agents or other agents as the Issuer may determine.

(g) The Issuer may include such provisions in a Supplemental Indenture authorizing the issuance of a Series of Bonds secured by a Security Instrument as the Issuer deems appropriate, including:

(i) So long as the Security Instrument is in full force and effect, and payment on the Security Instrument is not in default, (i) the Security Instrument Issuer shall be deemed to be the Owner of the Outstanding Bonds of such Series (a) when the approval, consent or action of the Bondowners for such Series of Bonds is required or may be exercised under the Indenture and (b) following an Event of Default and (ii) the Indenture may not be amended in any manner which affects the rights of such Security Instrument Issuer without its prior written consent.

(ii) In the event that the Principal and redemption price, if applicable, and interest due on any Series of Bonds Outstanding shall be paid under the provisions of a Security Instrument, all covenants, agreements and other obligations of the Issuer to the Bondowners of such Series of Bonds shall continue to exist and such Security Instrument Issuer shall be subrogated to the rights of such Bondowners in accordance with the terms of such Security Instrument.

(iii) In addition, such Supplemental Indenture may establish such provisions as are necessary to provide relevant information to the Security Instrument Issuer and to provide a mechanism for paying Principal Installments and interest on such Series of Bonds from the Security Instrument.

(h) The Issuer may provide for the execution of an Interest Rate Swap in connection with any Series of Bonds issued hereunder if so provided in the Supplemental Indenture. The obligation of the Issuer to pay Swap Payments may be secured with (a) a lien on the Net Revenues on a parity with the lien thereon of Debt Service on the related Bonds (as more fully described in Section 5.2 herein) and may be net of Swap Receipts or (b) a subordinate lien on the Net Revenues and may be net of Swap Receipts. Such obligations may also be secured by other legally available moneys of the Issuer, all as established in the Supplemental Indenture for the related Series of Bonds. Termination Payments may only be payable from and secured by Net Revenues after payment of all amounts then due pursuant to the Indenture.

Section 2.5 Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate a new Bond of like date, Series, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, or an affidavit of an officer of the Bondholder attesting to such loss, theft or destruction, together in all cases with indemnity satisfactory to the Trustee and the Issuer. In the event any such Bond shall have matured, instead of issuing a duplicate Bond, the Trustee may pay the same without surrender thereof upon compliance with the foregoing. The Trustee may charge the Registered Owner of such Bond with its reasonable fees and expenses in connection therewith. Any Bond issued pursuant to this Section 2.5 shall be deemed part of the Series of Bonds in respect of which it was issued and an original additional contractual obligation of the Issuer.

Section 2.6 Registration of Bonds; Persons Treated as Owners. The Issuer shall cause the books for the registration and for the transfer of the Bonds to be kept by the Trustee which is hereby constituted and appointed the Registrar of the Issuer with respect to the Bonds, provided, however, that the Issuer may by Supplemental Indenture select a party other than the Trustee to act as Registrar with respect to the Series of Bonds issued under said Supplemental Indenture. Upon the occurrence of an Event of Default which would require any Security Instrument Issuer to make payment under a Security Instrument Agreement, the Registrar shall make such registration books available to the Security Instrument Issuer. Any Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any Bond at the Corporate Trust Office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by, the Registered Owner or his attorney duly authorized in writing, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees, a new Bond or Bonds of the same Series and the same maturity for a like aggregate Principal amount as the Bond surrendered for transfer. Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate Principal amount of Bonds of the same Series and the same maturity. The execution by the Issuer of any Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Bond. Except as otherwise provided in a Supplemental Indenture with respect to a Series of Bonds, the Issuer and the Trustee shall not be required to transfer or exchange any Bond (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including

the day fifteen days prior to the mailing of notice calling any Bonds for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The Issuer, the Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered on the registration books kept by the Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the Principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the Issuer, nor the Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either Principal or interest on any Bond shall be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Trustee shall require the payment by the Bondholder requesting exchange or transfer of Bonds of any tax or other governmental charge and by the Issuer of any service charge of the Trustee as Registrar which are required to be paid with respect to such exchange or transfer and such charges shall be paid before such new Bond shall be delivered.

Section 2.7 Redemption Provisions. The Term Bonds of each Series of Bonds shall be subject, to the extent provided in the Supplemental Indenture authorizing each such Series of Bonds, to redemption prior to maturity by operation of Sinking Fund Installments required to be made to the Sinking Fund Account. The Bonds of each Series shall further be subject to redemption prior to maturity at such times and upon such terms as shall be fixed by such Supplemental Indenture. Except as otherwise provided in a Supplemental Indenture, if fewer than all Bonds of a Series are to be redeemed, the particular maturities of such Bonds to be redeemed and the Principal amounts of such maturities to be redeemed shall be selected by the Issuer. If fewer than all of the Bonds of any one maturity of a Series shall be called for redemption, the particular units of Bonds, as determined in accordance with Section 2.9 hereof, to be redeemed shall be selected by the Trustee randomly in such manner as the Trustee, in its discretion, may deem fair and appropriate.

Section 2.8 Notice of Redemption.

(a) In the event any of the Bonds are to be redeemed, the Registrar shall cause notice to be given as provided in this Section 2.8. Unless otherwise specified in the Supplemental Indenture authorizing the issuance of the applicable Series of Bonds, notice of such redemption (i) shall be filed with the Paying Agent designated for the Bonds being redeemed; and (ii) shall be mailed by first class mail, postage prepaid, to all Registered Owners of Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption. Such notice shall state the following information:

(i) the complete official name of the Bonds, including Series, to be redeemed, the identification numbers of Bonds and the CUSIP numbers, if any, of the Bonds being redeemed, provided that any such notice shall state that no representation is made as to the correctness of CUSIP numbers either as printed on such Bonds or as contained in the notice of redemption and that reliance may be placed only on the identification numbers contained in the notice or printed on such Bonds;

(ii) any other descriptive information needed to identify accurately the Bonds being redeemed, including, but not limited to, the original issue date of, and interest rate on, such Bonds;

(iii) in the case of partial redemption of any Bonds, the respective Principal amounts thereof to be redeemed;

(iv) the date of mailing of redemption notices and the redemption date;

(v) the redemption price;

(vi) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and

(vii) the place where such Bonds are to be surrendered for payment, designating the name and address of the redemption agent with the name of a contact person and telephone number.

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

(c) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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

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

(f) Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such Bonds receives the notice. Receipt of such notice shall not be a condition precedent to such redemption, and failure so to receive any such notice by any of such Registered Owners shall not affect the validity of the proceedings for the redemption of the Bonds.

(g) In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state also that on or after the redemption date, upon surrender of such Bond, a new Bond in Principal amount equal to the unredeemed portion of such Bond will be issued.

Section 2.9 Partially Redeemed Fully Registered Bonds. Unless otherwise specified in the related Supplemental Indenture, in case any registered Bond shall be redeemed in part only, upon the presentation of such Bond for such partial redemption, the Issuer shall execute and the Trustee shall authenticate and shall deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the Issuer, a Bond or Bonds of the same Series, interest rate and maturity, in aggregate Principal amount equal to the unredeemed portion of such registered Bond. Unless otherwise provided by Supplemental Indenture, a portion of any Bond of a denomination of more than the minimum denomination of such Series specified herein or in the related Supplemental Indenture to be redeemed will be in the Principal amount of such minimum denomination or an integral multiple thereof and in selecting portions of such Bonds for redemption, the Trustee will treat each such Bond as representing that number of Bonds of such minimum denomination which is obtained by dividing the Principal amount of such Bonds by such minimum denomination.

Section 2.10 Cancellation. All Bonds which have been surrendered for payment, redemption or exchange, and Bonds purchased from any moneys held by the Trustee hereunder or surrendered to the Trustee by the Issuer, shall be canceled and cremated or otherwise destroyed by the Trustee and shall not be reissued; provided, however, that one or more new Bonds shall be issued for the unredeemed portion of any Bond without charge to the Registered Owner thereof.

Section 2.11 Nonpresentation of Bonds. Unless otherwise provided by Supplemental Indenture, in the event any Bond shall not be presented for payment when the Principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Issuer to the Registered Owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability to the Registered Owner of such Bond for interest thereon, for the benefit of the Registered Owner of such Bond who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part hereunder or on, or with respect to, said Bond. If any Bond shall not be presented for payment within five years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall, to the extent permitted by law, repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Registered Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money. The provisions of this Section 2.11 are subject to the provisions of Title 67, Chapter 4a, Utah Code Annotated 1953, as amended.

Section 2.12 Initial Bonds. The Initial Bonds were issued subject to the provisions of the Original Indenture and the First Supplemental Indenture. Section 2.13 shall apply to all Series of Bonds issued hereunder.

Section 2.13 Issuance of Additional Bonds. No additional indebtedness, bonds or notes of the Issuer secured by a pledge of the Revenues senior to the pledge of Net Revenues for the payment of the Bonds and the Security Instrument

Repayment Obligations herein authorized shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds and the Security Instrument Issuers. In addition, no Additional Bonds or other indebtedness, bonds or notes of the Issuer payable on a parity with the Bonds and the Security Instrument Repayment Obligations herein authorized out of Net Revenues shall be created or incurred, unless the following requirements have been met:

(a) No Event of Default shall have occurred and be continuing hereunder on the date of authentication of any Additional Bonds. This Section 2.13(a) shall not preclude the issuance of Additional Bonds if (i) the issuance of such Additional Bonds otherwise complies with the provisions hereof and (ii) such Event of Default will cease to continue upon the issuance of Additional Bonds and the application of the proceeds thereof; and

(b) A certificate shall be delivered to the Trustee by an Authorized Representative to the effect that the Net Revenues plus Other Available Funds for any Year, less any Direct Payments, for any consecutive 12-month period in the 24 months immediately preceding the proposed date of issuance of such Additional Bonds were at least equal to 125% of the sum of the Aggregate Annual Debt Service Requirement on all Bonds outstanding for said Year; and

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

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

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

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

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

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

For purposes of this Section 2.13(c), "Estimated Net Revenues" shall be determined by the Authorized Representative as follows:

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

(B) Next, the additional Net Revenues, if any, resulting from the Project, or any portion thereof, financed with the proceeds of the Additional Bonds will be estimated by a Qualified Engineer for the applicable Bond Fund Years as determined in Section 2.13(c)(i)(A) or (B) above.

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

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

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

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

Section 2.14 Form of Bonds The Bonds of each Series and the Trustee's Authentication Certificate shall be in substantially the forms thereof set forth in the Supplemental Indenture authorizing the issuance of such Bonds, with such omissions, insertions and variations as may be necessary, desirable, authorized and permitted hereby.

Section 2.15 Covenant Against Creating or Permitting Liens. Except for the pledge of Net Revenues to secure payment of the Bonds and other Repayment Obligations hereunder, the Net Revenues are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that nothing contained herein shall prevent the Issuer from issuing, if and to the extent permitted by law, indebtedness having a lien on Net Revenues subordinate to that of the Bonds and Repayment Obligations.

Section 2.16 Perfection of Security Interest. (a) The Indenture creates a valid and binding pledge and assignment of security interest in all of the Net Revenues pledged under the Indenture in favor of the Trustee as security for payment of the Bonds, enforceable by the Trustee in accordance with the terms thereof.

(b) Under the laws of the State, such pledge and assignment and security interest is automatically perfected by Section 11-14-501, Utah Code Annotated 1953, as amended, and is and shall have priority as against all parties having claims of any kind in tort, contract, or otherwise hereafter imposed on the Net Revenues.

ARTICLE III

CREATION OF FUNDS AND ACCOUNTS

Section 3.1 Creation of Acquisition/Construction Fund. There is hereby created and ordered established in the custody of the Trustee the Acquisition/Construction Fund. There is hereby created and ordered established in the custody of the Trustee a separate account within the Acquisition/Construction Fund for each Project to be designated by the name of the applicable Project or Series of Bonds and, if applicable, a separate account for each Series of Bonds and for all grant moneys or other moneys to be received by the Issuer for deposit in the Acquisition/Construction Fund.

Section 3.2 Creation of Revenue Fund. The Issuer shall create and establish with the Issuer the Revenue Fund. For accounting purposes, the Revenue Fund may be redesignated by different account names by the Issuer from time to time.

Section 3.3 Creation of Bond Fund. There is hereby created and ordered established in the custody of the Trustee the Bond Fund.

Section 3.4 Creation of Sinking Fund Account. There is hereby created and ordered established in the custody of the Trustee as a separate account within the Bond Fund the Sinking Fund Account.

Section 3.5 Creation of Debt Service Reserve Fund. There is hereby created and ordered established in the custody of the Trustee the Debt Service Reserve Fund.

Section 3.6 Creation of Reserve Instrument Fund. There is hereby created and ordered established in the custody of the Trustee the Reserve Instrument Fund.

Section 3.7 Creation of Repair and Replacement Fund. There is hereby created and ordered established in the custody of the Issuer the Repair and Replacement Fund.

Section 3.8 Creation of Rebate Fund. There is hereby created and ordered established in the custody of the Trustee the Rebate Fund.

Section 3.9 Creation of Rate Stabilization Fund. There is hereby created and ordered established in the custody of the Issuer the Rate Stabilization Fund. For accounting purposes, the Rate Stabilization Fund may be redesignated by different account name by the Issuer from time to time.

Section 3.10 Creation of Funds and Accounts. Notwithstanding anything contained herein to the contrary, the Trustee need not create any of the funds or accounts referenced in this Article III until such funds or accounts shall be utilized as provided in a Supplemental Indenture. The Issuer may, by Supplemental Indenture, authorize the creation of additional funds and additional accounts within any funds the Trustee may create.

ARTICLE IV

APPLICATION OF BOND PROCEEDS

Upon the issuance of each Series of Bonds, the proceeds thereof shall be deposited as provided in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

ARTICLE V

USE OF FUNDS

Section 5.1 Use of Acquisition/Construction Fund.

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

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

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

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

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

(d) In the event the certificate filed with the Trustee pursuant to Section 5.1(c) herein shall state that there is a claim or claims in controversy which create or might ripen into a lien, an Authorized Representative of the Issuer shall file a similar certificate with the Trustee when and as such claim or claims shall have been fully paid or otherwise discharged.

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

(f) Unless otherwise specified in a Supplemental Indenture, upon completion of a Project and payment of all costs and expenses incident thereto and the filing with the Trustee of documents required by this Section 5.1, any balance remaining in the applicable account in the Acquisition/Construction Fund relating to such Project shall, as directed by an Authorized Representative of the Issuer, be deposited in the Bond Fund, to be applied, (i) toward the redemption of the Series of Bonds issued to finance such Project or (ii) to pay Principal and/or interest next falling due with respect to such Series of Bonds.

Section 5.2 Application of Revenues.

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

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

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

(i) the interest falling due on the Bonds on the next succeeding Interest Payment Date established for the Bonds (provided, however, that so long as there are moneys representing capitalized interest on deposit with the Trustee to pay interest on the Bonds next coming due, the Issuer need not allocate to the Revenue Fund to pay interest on the Bonds); plus

(ii) one half of the Principal and premium, if any, falling due in the current fiscal year, and in any event, an amount sufficient to pay the Principal and premium on the next succeeding Principal payment date established for the Bonds; plus

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

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

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

(i) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (A) to the accounts in the Debt Service Reserve Fund any amounts required hereby, and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided herein, and in any Supplemental Indenture and (B) if funds shall have been withdrawn from an account in the Debt Service Reserve Fund, or any account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, the Issuer shall deposit Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) in such account(s) in the Debt Service Reserve Fund sufficient in amount to restore such account(s) within one year with twelve (12) substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Debt Service Reserve Requirement); or a ratable portion (based on the amount to be transferred pursuant to Section 5.2(d)(ii) hereof) of remaining Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) if less than the amount necessary; and

(ii) Equally and ratably to the accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of an interest payment period, such amount of the remaining Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund), or a ratable portion (based on the amount to be transferred pursuant to Section 5.2(d)(i) hereof) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such interest payment period transfer or deposit of Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) into the Reserve Instrument Fund, to the Reserve Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit within one year from any draw date under the Reserve Instrument.

(e) As a fourth charge and lien on the Net Revenues (and, if applicable any amounts on deposit in the Rate Stabilization Fund), the Issuer shall deposit in the Repair and Replacement Fund any amount required hereby and by any Supplemental Indenture to accumulate therein the Repair and Replacement Reserve Requirement. In the event that the amount on deposit in the Repair and Replacement Fund shall ever be less than the Repair and Replacement Reserve Requirement for the Bonds then Outstanding (or, after the issuance of Additional Bonds, the amount required to be on deposit therein), from time to time, the Issuer shall deposit to the Repair and Replacement Fund from the Revenue Fund all remaining Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) of the System after payments required by Sections 5.2(b), 5.2(c) and 5.2(d) herein have been made until there is on deposit in the Repair and Replacement Fund an amount equal to the Repair and Replacement Reserve Requirement. Subject to the provisions of Section 5.2(f) herein, this provision is not intended to limit, and shall not limit, the right of the Issuer to deposit additional moneys in the Repair and Replacement Fund from time to time as the Issuer may determine.

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

- (i) redemption of Bonds;
- (ii) refinancing, refunding, or advance refunding of any Bonds;
- (iii) for transfer to the Rate Stabilization Fund; or
- (iv) for any other lawful purpose.

Section 5.3 Use of Bond Fund. The Issuer may direct the Trustee, pursuant to a Supplemental Indenture, to create an account within the Bond Fund for a separate Series of Bonds under the Indenture.

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

- (i) accrued interest received upon the issuance of any Series of Bonds;
- (ii) all moneys payable by the Issuer as specified in Section 5.2(c) hereof;
- (iii) any amount in the Acquisition/Construction Fund to the extent required by or directed pursuant to Section 5.1(f) hereof upon completion of a Project;
- (iv) all moneys transferred from the Debt Service Reserve Fund or from a Reserve Instrument or Instruments then in effect as provided in Section 5.5 hereof; and
- (v) all other moneys received by the Trustee hereunder when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund.

(b) Except as provided in Section 7.4 hereof and as provided in this Section 5.3 and except as otherwise provided by Supplemental Indenture, moneys in the Bond Fund shall be expended solely for the following purposes and in the following order of priority:

- (i) on or before each Interest Payment Date for each Series of Bonds, the amount required to pay the interest due on such date;
- (ii) on or before each Principal Installment due date, the amount required to pay the Principal Installment due on such due date; and
- (iii) on or before each redemption date for each Series of Bonds, the amount required to pay the redemption price of and accrued interest on such Bonds then to be redeemed.

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

The Trustee shall pay out of the Bond Fund to the Security Instrument Issuer, if any, that has issued a Security Instrument with respect to such Series of Bonds an amount equal to any Security Instrument Repayment Obligation then due and payable to such Security Instrument Issuer. Except as otherwise specified in a related Supplemental Indenture all such Security Instrument Repayment Obligations shall be paid on a parity with the payments to be made with respect to Principal and interest on the Bonds; provided that amounts paid under a Security Instrument shall be applied only to pay the related Series of Bonds. If payment is so made on Pledged Bonds held for the benefit of the Security Instrument Issuer, a corresponding payment on the Security Instrument Repayment Obligation shall be

deemed to have been made (without requiring an additional payment by the Issuer) and the Trustee shall keep its records accordingly.

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

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

Section 5.4 Use of Sinking Fund Account.

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

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

Section 5.5 Use of Debt Service Reserve Fund. Except as otherwise provided in this Section 5.5 and subject to the immediately following sentence, moneys in each account in the Debt Service Reserve Fund shall at all times be maintained in an amount not less than the applicable Debt Service Reserve Requirement, if any. In calculating the amount on deposit in each account in the Debt Service Reserve Fund, the amount of any Reserve Instrument Coverage will be treated as an amount on deposit in such account in the Debt Service Reserve Fund. Each Supplemental Indenture authorizing the issuance of a Series of Bonds shall specify the Debt Service Reserve Requirement, if any, applicable to such Series which amount shall either be (i) deposited immediately upon the issuance and delivery of such Series from (a) proceeds from the sale thereof or from any other legally available source, or (b) by a Reserve Instrument or Instruments, or (c) any combination thereof; (ii) deposited from available Net Revenues over the period of time specified therein, or (iii) deposited from any combination of (i) and (ii) above; provided however, the foregoing provisions shall be subject to the requirements of any Security Instrument Issuer set forth in any Supplemental Indenture. If at any time the amount on deposit in any account of the Debt Service Reserve Fund is less than the minimum amount to be maintained therein under this Section 5.5, the Issuer is required, pursuant to Section 5.2(d) hereof and the provisions of any Supplemental Indenture, to make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund.

In the event funds on deposit in an account of the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund as aforementioned, and there is insufficient cash available in such account of the Debt Service Reserve Fund to make up such deficiency and Reserve Instruments applicable to such Series are in effect, the Trustee shall immediately make a demand for payment on such Reserve Instruments, to the maximum extent authorized by such Reserve Instruments, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund. Thereafter, the Issuer shall be obligated to reinstate the Reserve Instrument as provided in Section 5.2(d)(ii) herein.

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

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

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

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

Section 5.6 Use of Reserve Instrument Fund. There shall be paid into the Reserve Instrument Fund the amounts required hereby and by a Supplemental Indenture to be so paid. The amounts in the Reserve Instrument Fund shall, from time to time, be applied by the Trustee on behalf of the Issuer to pay the Reserve Instrument Repayment Obligations which are due and payable to any Reserve Instrument Provider under any applicable Reserve Instrument Agreement.

Section 5.7 Use of Repair and Replacement Fund. All moneys in the Repair and Replacement Fund may be drawn on and used by the Issuer for the purpose of (a) paying the cost of unusual or extraordinary maintenance or repairs of the System; (b) paying the costs of any renewals, renovation, improvements, expansion or replacements to the System; and (c) paying the cost of any replacement of buildings, lines, equipment and other related facilities, to the extent the same are not paid as part of the ordinary and normal expense of the operation of the System.

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

Section 5.8 Use of Rebate Fund.

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

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

(c) The Issuer shall determine the amount of Rebatable Arbitrage and the corresponding Required Rebate Deposit with respect to each Series of Bonds on each applicable Rebate Calculation Date and take all other actions necessary to comply with the rebate requirements of the Code and the Regulations. The Issuer shall deposit into the Rebate Fund the Required Rebate Deposit, if any, with respect to each Series of Bonds (or instruct the Trustee to transfer to the Rebate Fund moneys representing such Required Rebate Deposit from the Funds and Accounts held under the Indenture other than the Rebate Fund) or shall otherwise make payment of the rebate to be paid to the United States at the times required by the Code and the Regulations. If applicable, the Issuer shall instruct in writing the Trustee to withdraw from the Rebate Fund and pay any rebate over to the United States. The determination of Rebatable Arbitrage made with respect to each such payment date and with respect to any withdrawal and payment to the Issuer from the Rebate Fund pursuant to the Indenture must be verified in writing by an independent public accountant or other qualified professional. The Trustee may rely conclusively upon and shall be fully protected from all liability in relying upon the Issuer's determinations, calculations and certifications required by this Section 5.8 and the Trustee shall have no responsibility to independently make any calculations or determination or to review the Issuer's determinations, calculations and certifications required by this Section 5.8.

(d) The Trustee shall, at least 60 days prior to each Rebate Calculation Date, notify the Issuer of the requirements of this Section 5.8. By agreeing to give this notice, the Trustee assumes no responsibility whatsoever for compliance by the Issuer with the requirements of Section 148 of the Code or any successor. The Issuer expressly agrees that (notwithstanding any other provision of the Indenture) any failure of the Trustee to give any such notice, for any reason whatsoever, shall not cause the Trustee to be responsible for any failure of the Issuer to comply with the requirements of said Section 148 or any successor thereof.

(e) The provisions of this Section 5.8 may be amended or deleted without Bondowner consent or notice, upon receipt by the Issuer and the Trustee of an opinion of nationally recognized bond counsel that such amendment or deletion will not adversely affect the excludability from gross income of interest on the Bonds or the status of the Bonds as entitled to Direct Payments, if applicable.

Section 5.9 Investment of Funds. Any moneys in the Bond Fund, the Acquisition/Construction Fund, the Reserve Instrument Fund, the Rebate Fund or the Debt Service Reserve Fund shall, at the discretion and written authorization of the Issuer's Authorized Representative, be invested by the Trustee in Qualified Investments; provided, however, that moneys on deposit in the Bond Fund and the Reserve Instrument Fund may only be invested in Qualified Investments having a maturity date one year or less. If no written authorization is given to the Trustee, moneys shall be held uninvested. Such investments shall be held by the Trustee, and when the Trustee determines it necessary to use the moneys in the Funds for the purposes for which the Funds were created, it shall liquidate at prevailing market prices as much of the investments as may be necessary and apply the proceeds to such purposes. All income derived from the investment of the Acquisition/Construction Fund, Bond Fund, the Reserve Instrument Fund and Rebate Fund shall be maintained in said respective Funds and disbursed along with the other moneys on deposit therein as herein provided. All income derived from the investment of the Debt Service Reserve Fund shall be disbursed in accordance with Section 5.5 hereof. All moneys in the Revenue Fund may, at the discretion of the Issuer, be invested by the Issuer in Qualified Investments.

The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Section 5.9. The Trustee shall be entitled to assume that any investment, which at the time of purchase is a Qualified Investment, remains a Qualified Investment thereafter, absent receipt of written notice or information to the contrary.

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

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

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

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

Section 5.10 Trust Funds. All moneys and securities received by the Trustee under the provisions of this Indenture shall be trust funds under the terms hereof and shall not be subject to lien or attachment of any creditor of the State or any political subdivision, body, agency, or instrumentality thereof or of the Issuer and shall not be subject to appropriation by any legislative body or otherwise. Such moneys and securities shall be held in trust and applied in accordance with the provisions hereof. Except as provided otherwise in Section 5.8 hereof, unless and until disbursed pursuant to the terms hereof, all such moneys and securities (and the income therefrom) shall be held by the Trustee as security for payment of the Principal of, premium, if any, and interest on the Bonds and the fees and expenses of the Trustee payable hereunder.

Section 5.11 Method of Valuation and Frequency of Valuation. In computing the amount in any fund or account, Qualified Investments shall be valued at market, exclusive of accrued interest. With respect to all funds and accounts, valuation shall occur annually, except in the event of a withdrawal from the Debt Service Reserve Fund, whereupon securities shall be valued immediately after such withdrawal.

Section 5.12 Use of Rate Stabilization Fund. The Issuer may create and maintain the Rate Stabilization Fund as a separate fund of the Issuer. The Rate Stabilization Fund may be funded by the Issuer from any legally available funds of the Issuer and/or may be funded by the Issuer from amounts transferred from the Revenue Fund as provided in Section 5.2(f)(iii). The Issuer may, from time to time, designate all or a portion of the amounts on deposit in the Rate Stabilization Fund as Other Available Funds (as described in the definition thereof). Except for amounts designated as provided in the immediately preceding sentence (for the year so designated), amounts on deposit in the Rate Stabilization Fund may be used by the Issuer for any lawful purpose. To the extent that amounts on deposit in the Revenue Fund are insufficient in any year for any of the

purposes thereof the Issuer covenants that, to the extent amounts are on deposit in the Rate Stabilization Fund, to transfer amounts from the Rate Stabilization Fund to the Revenue Fund to cover any such insufficiency.

ARTICLE VI

GENERAL COVENANTS

Section 6.1 General Covenants. The Issuer hereby covenants and agrees with each and every Registered Owner of the Bonds issued hereunder, Security Instrument Issuer and Reserve Instrument Provider as follows:

(a) While any of the Principal of and interest on the Bonds are outstanding and unpaid, or any Repayment Obligations are outstanding, any resolution or other enactment of the Governing Body of the Issuer, applying the Net Revenues for the payment of the Bonds and the Repayment Obligations shall be irrevocable until the Bonds and/or any Repayment Obligations have been paid in full as to both Principal and interest, and is not subject to amendment in any manner which would impair the rights of the holders of those Bonds or the Repayment Obligations which would in any way jeopardize the timely payment of Principal or interest when due. Furthermore, the rates, for all services supplied by the System to the Issuer and to its inhabitants and to all customers within or without the boundaries of the Issuer, shall be sufficient to pay the Operation and Maintenance Expenses for the System, and to provide Net Revenues for each Bond Fund Year which when added to the Other Available Funds for such year (less Direct Payments) shall equal not less than 125% of the Aggregate Annual Debt Service Requirement for such year, plus an amount sufficient to fund the Debt Service Reserve Fund for the Bonds in the time, rate and manner specified herein; provided, however, that such rates must be reasonable rates for the type, kind and character of the service rendered. There shall be no free service, and such rates shall be charged against all users of the System, excluding the Issuer. The Issuer agrees that should its annual financial statement made in accordance with the provisions of Section 6.1(d) disclose that during the period covered by such financial statement the Net Revenues and Other Available Funds were not at least equal to the above requirement, the Issuer shall request that a Qualified Engineer, independent accountant, or other independent financial consultant make recommendations as to the revision of the rates, charges and fees and that the Issuer on the basis of such recommendations will revise the schedule of rates, charges and fees and further revise Operation and Maintenance Expenses so as to produce the necessary Net Revenues and Other Available Funds as herein required.

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

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

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

All expenses incurred in compiling the information required by this Section 6.1 shall be regarded and paid as an Operation and Maintenance Expense.

Section 6.2 Lien of Bonds; Equality of Liens. The Bonds and any Security Instrument Repayment Obligations constitute an irrevocable first lien upon the Net Revenues. The Issuer covenants that the Bonds and Security Instrument Repayment Obligations hereafter authorized to be issued and from time to time outstanding are equitably and ratably secured by a lien on the Net Revenues and shall not be entitled to any priority one over the other in the application of the Net Revenues regardless of the time or times of the issuance of the Bonds or delivery of Security Instruments, it being the intention of the

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

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

Section 6.3 Payment of Principal and Interest. The Issuer covenants that it will punctually pay or cause to be paid the Principal of and interest on every Bond issued hereunder, any Security Instrument Repayment Obligations and any Reserve Instrument Repayment Obligations, in strict conformity with the terms of the Bonds, this Indenture, any Security Instrument Agreement and any Reserve Instrument Agreement, according to the true intent and meaning hereof and thereof. The Principal of and interest on the Bonds, any Security Instrument Repayment Obligations and any Reserve Instrument Repayment Obligations are payable solely from the Net Revenues (except to the extent paid out of moneys attributable to Bond proceeds or other funds created hereunder or the income from the temporary investment thereof), which Net Revenues are hereby specifically pledged and assigned to the payment thereof in the manner and to the extent herein specified, and nothing in the Bonds, this Indenture, any Security Instrument Agreement or any Reserve Instrument Agreement should be considered as pledging any other funds or assets of the Issuer for the payment thereof.

Section 6.4 Performance of Covenants; Issuer. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained herein, and in any and every Bond, Security Instrument Agreement and Reserve Instrument Agreement. The Issuer represents that it is duly authorized under the Constitution of the State to issue the Bonds authorized hereby and to execute this Indenture, that all actions on its part for the issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken, and that the Bonds in the hands of the Registered Owners thereof are and will be valid and enforceable obligations of the Issuer according to the import thereof.

Section 6.5 List of Bondholders. The Trustee will keep on file at its Corporate Trust Office a list of the names and addresses of the Registered Owners of all Bonds which are from time to time registered on the registration books in the hands of the Trustee as Registrar for the Bonds. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Issuer or by the Registered Owners (or a designated representative thereof) of 10% or more in Principal amount of Bonds then Outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

Section 6.6 Designation of Additional Paying Agents. The Issuer hereby covenants and agrees to cause the necessary arrangements to be made through the Trustee and to be thereafter continued for the designation of alternate paying agents, if any, and for the making available of funds hereunder, but only to the extent such funds are made available to the Issuer from Bond proceeds or other Funds created hereunder or the income from the temporary investment thereof, for the payment of such of the Bonds as shall be presented when due at the Corporate Trust Office of the Trustee, or its successor in trust hereunder, or at the principal corporate trust office of said alternate Paying Agents.

Section 6.7 Tax Exemption of Bonds and Direct Payments. The Issuer recognizes that Section 149(a) of the Code requires bonds to be issued and to remain in fully registered form in order that interest thereon is excluded from gross income for federal income tax purposes under laws in force at the time the bonds are delivered. Bonds issued pursuant to this Indenture, the interest on which is excludable from gross income for federal income tax purposes, are referred to in this Section 6.7 as "tax-exempt Bonds." Pursuant to the provisions thereof, the Issuer agrees that it will not take any action to permit tax-exempt Bonds issued hereunder to be issued in, or converted into, bearer or coupon form, unless the Issuer first receives an opinion from nationally recognized bond counsel that such action will not result in the interest on any Bonds becoming includible in gross income for purposes of federal income taxes then in effect.

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

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

Section 6.8 Expeditious Construction. The Issuer shall complete the acquisition and construction of each Project with all practical dispatch and will cause all construction to be effected in a sound and economical manner.

Section 6.9 Management of System. The Issuer, in order to assure the efficient management and operation of the System and to assure each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider from time to time that the System will be operated on sound business principles, will employ competent and experienced management for the System, will use its best efforts to see that the System is at all times operated and maintained in first-class repair and condition.

Section 6.10 Use of Legally Available Moneys. Notwithstanding any other provisions hereof, nothing herein shall be construed to prevent the Issuer from (i) paying all or any part of the Operation and Maintenance Expenses from any funds available to the Issuer for such purpose, (ii) depositing any funds available to the Issuer for such purpose in any account in the Bond Fund for the payment of the interest on, premium, if any, or the Principal of any Bonds issued under provisions hereof or for the redemption of any such Bonds, or (iii) depositing any funds available to the Issuer for such purpose in the Reserve Instrument Fund for the payment of any amounts payable under any applicable Reserve Instrument Agreement.

Section 6.11 Payment of Taxes and Other Charges. The Issuer covenants that all taxes and assessments or other municipal or governmental charges lawfully levied or assessed upon the System or upon any part thereof or upon any income therefrom will be paid when the same shall become due, that no lien or charge upon the System or any part thereof or upon any Revenues thereof, except for the lien and charge thereon created hereunder and securing the Bonds, will be created or permitted to be created ranking equally with or prior to the Bonds (except for the lien of the parity lien thereon of Additional Bonds issued from time to time hereunder and under Supplemental Indentures hereto), and that all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the System or any part thereof or upon the Revenues thereof will be paid or discharged, or adequate provision will be made for the payment or discharge of such claims and demands within 60 days after the same shall accrue; provided, however, that nothing in this Section 6.11 shall require any such lien or charge to be paid or discharged or provision made therefor so long as the validity of such lien or charge shall be contested in good faith and by appropriate legal proceedings.

Section 6.12 Insurance. The Issuer, in its operation of the System, will self-insure or carry insurance, including, but not limited to, workmen's compensation insurance and public liability insurance, in such amounts and to such extent as is normally carried by others operating public utilities of the same type. The cost of such insurance shall be considered an Operation and Maintenance Expense of the System. In the event of loss or damage, insurance proceeds shall be used first for the purpose of restoring or replacing the property lost or damaged. Any remainder shall be paid into the Bond Fund.

Section 6.13 Instruments of Further Assurance. The Issuer and the Trustee mutually covenant that they will, from time to time, each upon the written request of the other, or upon the request of a Security Instrument Issuer or a Reserve Instrument Provider, execute and deliver such further instruments and take or cause to be taken such further actions as may be reasonable and as may be required by the other to carry out the purposes hereof; provided, however, that no such instruments or action shall involve any personal liability of the Trustee or members of the governing body of the Issuer or any official thereof.

Section 6.14 Covenant Not to Sell. The Issuer will not sell, lease, mortgage, encumber, or in any manner dispose of the System or any substantial part thereof, including any and all extensions and additions that may be made thereto, until all Principal of and interest on the Bonds, and all Repayment Obligations, have been paid in full, except as follows:

(a) The Issuer may sell any portion of said property which shall have been replaced by other property of like kind and of at least equal value. The Issuer may sell, lease, abandon, mortgage, or otherwise dispose of any portion of the property which shall cease to be necessary for the efficient operation of the System the disposition of which will not, as reasonably determined by the governing body of the Issuer, result in a material reduction in Net Revenues in any year; and the value of which, as reasonably determined by the governing body of the Issuer (together with any other property similarly disposed of within the 12 calendar months preceding the proposed disposition) does

not exceed 10% of the value of the System assets, provided, however, that in the event of any sale or lease as aforesaid, the proceeds of such sale or lease not needed to acquire other System property shall be paid into the Bond Fund.

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

Section 6.15 Billing Procedure. The Issuer shall submit billing for services rendered at least once every three months to persons who are liable for the payment of charges for such services, and shall require that each such bill be paid in full as a unit, and refuse to permit payment of a portion without payment of the remainder. Any amount thereof which is not paid within twenty (20) days from the date it is mailed to said persons shall be deemed delinquent and shall be subject to a penalty of \$10.00 (as such penalty may be modified from time to time by ordinance of the Issuer). If any billing remains delinquent past the 25th day of the month after said billing is sent, water services shall be subject to shutoff.

Section 6.16 Annual Budget. Prior to the beginning of each Fiscal Year the Issuer shall prepare and adopt a budget for the System for the next ensuing Fiscal Year. At the end of the first six months of each Fiscal Year, the Issuer shall review its budget for such Fiscal Year, and in the event actual Revenues, Operation and Maintenance Expenses or other requirements do not substantially correspond with such budget, the Issuer shall prepare an amended budget for the remainder of such Fiscal Year. The Issuer also may adopt at any time an amended budget for the remainder of the then current Fiscal Year.

ARTICLE VII

EVENTS OF DEFAULT; REMEDIES

Section 7.1 Events of Default. Each of the following events is hereby declared an "Event of Default":

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

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

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

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

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

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

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

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

(i) if the Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds, or herein or any Supplemental Indenture hereof on the part of the Issuer to be performed, other than as set forth above in this Section 7.1, and such Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the Issuer by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate Principal amount of the Bonds then Outstanding hereunder; or

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

Section 7.2 Remedies; Rights of Registered Owners. Upon the occurrence of an Event of Default, the Trustee, upon being indemnified pursuant to Section 8.1 hereof, may pursue any available remedy by suit at law or in equity to enforce the payment of the Principal of, premium, if any, and interest on the Bonds then Outstanding or to enforce any obligations of the Issuer hereunder.

If an Event of Default shall have occurred, and if requested so to do by (i) Registered Owners of not less than 25% in aggregate Principal amount of the Bonds then Outstanding, (ii) Security Instrument Issuers at that time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 25% in aggregate Principal amount of Bonds at the time Outstanding, or (iii) any combination of Registered Owners and Security Instrument Issuers described in (i) and (ii) above representing not less than 25% in aggregate Principal amount of Bonds at the time Outstanding, and if indemnified as provided in Section 8.1 hereof, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section 7.2 as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Registered Owners and the Security Instrument Issuers.

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

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

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

Section 7.3 Right of Registered Owners to Direct Proceedings. Anything herein to the contrary notwithstanding, unless a Supplemental Indenture provides otherwise, either (i) the Registered Owners of a majority in aggregate Principal amount of the Bonds then Outstanding, (ii) the Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding, or (iii) any combination of Registered Owners and Security Instrument Issuers described in (i) and (ii) above representing not less than 50% in aggregate Principal amount of Bonds at the time Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions hereof, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 7.4 Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article VII shall, after payment of Trustee's fees and expenses including the fees and expenses of its counsel for the proceedings resulting in the collection of such moneys and of the expenses and liabilities and advances incurred or made by the Trustee and any other outstanding fees and expenses of the Trustee relating to its duties under this Indenture, be deposited in the Bond Fund and all moneys so deposited in the Bond Fund shall be applied in the following order:

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

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

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

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

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

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

Whenever moneys are to be applied pursuant to the provisions of this Section 7.4, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amounts of such moneys available for such application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of Principal paid on such dates shall cease to accrue.

Section 7.5 Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings related thereto and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Registered Owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the Registered Owners of the Outstanding Bonds.

Section 7.6 Rights and Remedies of Registered Owners. Except as provided in the last sentence of this Section 7.6, no Registered Owner of any Bond or Security Instrument Issuer shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust thereof or for the appointment of a receiver or any other remedy hereunder, unless an Event of Default has occurred of which the Trustee has been notified as provided in Section 8.1(g), or of which by said Section it is deemed to have notice, nor unless also Registered Owners of 25% in aggregate Principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 25% in aggregate Principal amount of Bonds at the time Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in Section 8.1 hereof nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinabove granted, or to institute such action, suit or proceeding in its own name or names. Such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trust hereof, and to any action or cause of action for the enforcement hereof, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Registered Owner of the Bonds or Security Instrument Issuer shall have any right in any manner whatsoever to affect, disturb or prejudice the lien hereof by its action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Registered Owners of all Bonds then Outstanding and all Security Instrument Issuers

at the time providing Security Instruments. Nothing herein contained shall, however, affect or impair the right of any Registered Owner or Security Instrument Issuer to enforce the covenants of the Issuer to pay the Principal of, premium, if any, and interest on each of the Bonds issued hereunder held by such Registered Owner and Security Instrument Repayment Obligations at the time, place, from the source and in the manner in said Bonds or Security Instrument Repayment Obligations expressed.

Section 7.7 Termination of Proceedings. In case the Trustee, any Registered Owner or any Security Instrument Issuer shall have proceeded to enforce any right hereunder by the appointment of a receiver, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Registered Owner, or Security Instrument Issuer, then and in every such case the Issuer and the Trustee shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 7.8 Waivers of Events of Default. Subject to Section 8.1(g) hereof, the Trustee may in its discretion, waive any Event of Default hereunder and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate Principal amount of all the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding in respect of which an Event of Default in the payment of Principal and interest exist, or (b) a majority in aggregate Principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any default in the payment of the Principal of any Bonds at the date that a Principal Installment is due, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of Principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee, the Registered Owners and the Security Instrument Issuers shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Section 7.9 Cooperation of Issuer. In the case of any Event of Default hereunder, the Issuer shall cooperate with the Trustee and use its best efforts to protect the Registered Owners, Reserve Instrument Providers and the Security Instrument Issuers.

ARTICLE VIII

THE TRUSTEE

Section 8.1 Acceptance of the Trusts. The Trustee accepts the trusts imposed upon it hereby, and agrees to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee.

(a) The Trustee may execute any of the trusts or powers thereof and perform any of its duties by or through attorneys, agents, receivers or employees and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of counsel. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the certificate of the Trustee endorsed on the Bonds), or collecting any insurance moneys, or for the validity of the execution by the Issuer of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer; but the Trustee may require of the Issuer full information and advice as to the performance of the covenants, conditions and agreements aforesaid and as to the condition of the property herein conveyed. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it

in accordance with the provisions hereof. The Trustee shall have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Bonds.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder, except as specifically set forth herein. The Trustee may become the owner of Bonds secured hereby with the same rights which it would have if not Trustee.

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant hereto upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Registered Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(e) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Issuer by an Authorized Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been notified as provided in Section 8.1(g) herein, or of which by said Paragraph it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an Authorized Representative of the Issuer under its seal to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(f) The permissive right of the Trustee to do things enumerated herein shall not be construed as a duty and the Trustee shall not be answerable for other than its gross negligence or willful misconduct.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder, except an Event of Default described in Section 7.1(a) or (b), unless the Trustee shall be specifically notified in writing of such Default by the Issuer, a Security Instrument Issuer or by the Registered Owners of at least 25% in the aggregate Principal amount of any Series of the Bonds then Outstanding and all notices or other instruments required hereby to be delivered to the Trustee must, in order to be effective, be delivered at the Corporate Trust Office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(h) At any and all reasonable times and upon reasonable prior written notice, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect all books, papers and records of the Issuer pertaining to the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything elsewhere herein contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview hereof, any showing, certificates, opinions, appraisals, or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee, deemed desirable for the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(k) All moneys received by the Trustee or any Paying Agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(l) If any Event of Default hereunder shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it hereby and shall use the same degree of care as a prudent man would exercise or use in the circumstances in the conduct of his own affairs.

(m) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Registered Owners, Security Instrument Issuers or Reserve Instrument Providers, pursuant to the provisions of this Indenture, unless such Registered Owners, Security Instrument

Issuers or Reserve Instrument Providers shall have offered to the Trustee security or indemnity acceptable to the Trustee against the costs, expenses and liabilities which may be incurred therein or thereby.

(n) The Trustee shall not be required to expend, advance, or risk its own funds or incur any financial liability in the performance of its duties or in the exercise of any of its rights or powers.

Section 8.2 Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its services rendered as Trustee hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent and Registrar for the Bonds as hereinabove provided. Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or Principal of, or premium, if any, on any Bond for the foregoing advances, fees, costs and expenses incurred. The Trustee's rights under this Section 8.2 will not terminate upon its resignation or removal or upon payment of the Bonds and discharge of the Indenture.

Section 8.3 Notice to Registered Owners if Event of Default Occurs. If an Event of Default occurs of which the Trustee is by Section 8.1(g) hereof required to take notice or if notice of an Event of Default be given to the Trustee as in said Section provided, then the Trustee shall give written notice thereof by registered or certified mail or sent by facsimile to all Security Instrument Issuers or to Registered Owners of all Bonds then Outstanding shown on the registration books of the Bonds kept by the Trustee as Registrar for the Bonds, as applicable.

Section 8.4 Intervention by Trustee. In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interest of Registered Owners of the Bonds, the Trustee may intervene on behalf of such Owners and shall do so if requested in writing by the Registered Owners of at least 25% in aggregate Principal amount of the Bonds then Outstanding. The rights and obligations of the Trustee under this Section 8.4 are subject to the approval of a court of competent jurisdiction.

Section 8.5 Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed of conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 8.6 Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving written notice to the Issuer, served personally or by registered or certified mail, and by registered or certified mail to each Reserve Instrument Issuer, Security Instrument Issuer and Registered Owner of Bonds then Outstanding, and such resignation shall take effect upon the appointment of and acceptance by a successor Trustee by the Registered Owners or by the Issuer as provided in Section 8.8 hereof; provided, however that if no successor Trustee has been appointed within 60 days of the date of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it deems proper and prescribes, appoint a successor Trustee.

Section 8.7 Removal of the Trustee. The Trustee may be removed at any time, by an instrument or concurrent instruments (i) in writing delivered to the Trustee, and signed by the Issuer, unless there exists any Event of Default, or (ii) in writing delivered to the Trustee and the Issuer, and signed by the Registered Owners of a majority in aggregate Principal amount of Bonds then Outstanding if an Event of Default exists; provided that such instrument or instruments concurrently appoint a successor Trustee meeting the qualifications set forth herein.

Section 8.8 Appointment of Successor Trustee; Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Issuer (or, if an Event of Default exists, by the Registered Owners of a majority in aggregate Principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such Owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of such vacancy the Issuer by an instrument executed by an Authorized Representative under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Registered Owners in the manner above provided; and any such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee so appointed by such Registered Owners). Every successor Trustee appointed pursuant to the provisions of this Section 8.8 or otherwise shall be a trust company or bank in good standing having a reported capital and surplus of not less than \$50,000,000.

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

Section 8.9 Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Issuer, or of the successor Trustee, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article VIII shall be filed or recorded by the successor Trustee in each recording office, if any, where the Indenture shall have been filed and/or recorded.

Section 8.10 Trustee Protected in Relying Upon Indenture, Etc. The indentures, opinions, certificates and other instruments provided for herein may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder.

Section 8.11 Successor Trustee as Trustee, Paying Agent and Registrar. In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or been removed shall cease to be Trustee hereunder and Registrar for the Bonds and Paying Agent for Principal of, premium, if any, and interest on the Bonds, and the successor Trustee shall become such Trustee, Registrar and Paying Agent for the Bonds.

Section 8.12 Trust Estate May Be Vested in Separate or Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation hereunder, and in particular in case of the enforcement of remedies on Event of Default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies herein granted to the Trustee or hold title to the trust estate, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 8.12 are adapted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended hereby to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vested in such separate or co-trustee, but only to the extent necessary to enable the separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the Issuer be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request of such trustee or co-trustee, be executed, acknowledged and delivered by the Issuer. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

Section 8.13 Annual Accounting. The Trustee shall prepare an annual accounting for each Bond Fund Year by the end of the month following each such Bond Fund Year showing in reasonable detail all financial transactions relating to the funds and accounts held by the Trustee hereunder during the accounting period and the balance in any funds or accounts created hereby as of the beginning and close of such accounting period, and shall mail the same to the Issuer, and to each Reserve Instrument Provider requesting the same. On or before the end of the month following each Bond Fund Year, the Trustee shall, upon written request, provide to the Issuer and the Issuer's independent auditor representations as to the accuracy of the facts contained in the financial reports concerning the transactions described herein that were delivered by the Trustee during the Bond Fund Year just ended.

Section 8.14 Indemnification. To the extent permitted by law and subject to the provisions of Section 8.1(a) of this Indenture, the Issuer shall indemnify and save Trustee harmless against any liabilities it may incur in the exercise and

performance of its powers and duties hereunder, other than those due to its own negligence or willful misconduct. The indemnification provided to the Trustee under this Section 8.14 will not terminate upon its resignation or removal or upon payment of the Bonds and discharge of the Indenture.

Section 8.15 Trustee's Right to Own and Deal in Bonds. The bank or trust company acting as Trustee under this Indenture, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued hereunder and secured by this Indenture, and may join in any action which any Bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee under this Indenture.

Section 8.16 Direct Payment Authorization. The Issuer hereby authorizes and directs the Trustee to take all necessary actions, if applicable, to effectively carry out the duties required to apply for and accept Direct Payments from the Internal Revenue Service on behalf of the Issuer under Sections 54AA and 6431 of the Code or such other tax provisions of substantially similar nature which may be hereafter authorized, including, but not limited to, filing and signing IRS Form 8038-CP, receiving the Direct Payment on the Issuer's behalf, and using such Direct Payment to pay Debt Service on the Bonds. For fixed rate bonds, the Trustee shall file the 8038-CP at least 60 days (but not more than 90 days) before the relevant Interest Payment Date (unless otherwise directed by a change in regulations). For variable rate bonds, the Trustee shall file the 8038-CP for reimbursements in arrears within 25 days after the last Interest Payment Date within the quarterly period for which reimbursement is being requested (unless otherwise directed by a change in regulations). The Issuer hereby covenants that it will deposit the Direct Payments with the Trustee for use in paying Debt Service on the Bonds.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.1 Supplemental Indentures Not Requiring Consent of Registered Owners, Security Instrument Issuers and Reserve Instrument Providers. The Issuer and the Trustee may, without the consent of, or notice to, any of the Registered Owners, Reserve Instrument Providers or Security Instrument Issuers, enter into an indenture or indentures supplemental hereto, as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

- (a) To provide for the issuance of Additional Bonds in accordance with the provisions of Section 2.13 hereof;
- (b) To cure any ambiguity or formal defect or omission herein;
- (c) To grant to or confer upon the Trustee for the benefit of the Registered Owners, any Security Instrument Issuers and any Reserve Instrument Providers any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners or any of them which shall not adversely affect the interests of any Reserve Instrument Providers or Security Instrument Issuers without its consent;
- (d) To subject to this Indenture additional Revenues or other revenues, properties, collateral or security;
- (e) To provide for the issuance of the Bonds pursuant to a book-entry system or as uncertificated registered public obligations pursuant to the provisions of the Registered Public Obligations Act, Title 15, Chapter 7 of the Utah Code, or any successor provisions of law;
- (f) To make any change which shall not materially adversely affect (determined as if there were no Security Instrument in place) the rights or interests of the Owners of any Outstanding Bonds, any Security Instrument Issuers or any Reserve Instrument Provider, requested or approved by a Rating Agency in order to obtain or maintain any rating on the Bonds or requested or approved by a Security Instrument Issuer or Reserve Instrument Provider in order to insure or provide other security for any Bonds;
- (g) To make any change necessary (A) to establish or maintain the excludability from gross income for federal income tax purposes of interest on any Series of Bonds as a result of any modifications or amendments to Section 148 of the Code or interpretations by the Internal Revenue Service of Section 148 of the Code or of regulations proposed or promulgated thereunder, or (B) to comply with the provisions of Section 148(f) of the Code, including provisions for the payment of all or a portion of the investment earnings of any of the Funds established hereunder to the United States of America or (C) to establish or maintain the Direct Payments related to any Series of Bonds;
- (h) If the Bonds affected by any change are rated by a Rating Agency, to make any change which does not result in a reduction of the rating applicable to any of the Bonds so affected, provided that if any of the Bonds so

affected are secured by a Security Instrument, such change must be approved in writing by the related Security Instrument Issuer;

- (i) If the Bonds affected by any change are secured by a Security Instrument, to make any change approved in writing by the related Security Instrument Issuer, provided that if any of the Bonds so affected are rated by a Rating Agency, such change shall not result in a reduction of the rating applicable to any of the Bonds so affected;
- (j) Unless otherwise provided by a Supplemental Indenture authorizing a Series of Bonds, the designation of the facilities to constitute a Project by such Supplemental Indenture may be modified or amended if the Issuer delivers to the Trustee (1) a Supplemental Indenture designating the facilities to comprise the Project, (2) an opinion of Bond Counsel to the effect that such amendment will not adversely affect the tax-exempt status (if applicable) or validity of the Bonds and (3) a certificate of the Issuer to the effect that such amendment will not adversely affect the Issuer's ability to comply with the provisions of the Indenture; and
- (k) To correct any references contained herein to provisions of the Act, the Code or other applicable provisions of law that have been amended so that the references herein are correct.

Section 9.2 Supplemental Indentures Requiring Consent of Registered Owners and Reserve Instrument Providers; Waivers and Consents by Registered Owners. Exclusive of Supplemental Indentures covered by Section 9.1 hereof and subject to the terms and provisions contained in this Section 9.2, and not otherwise, the Registered Owners of 66 2/3% in aggregate Principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to (i) consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein or in any Supplemental Indenture, or (ii) waive or consent to the taking by the Issuer of any action prohibited, or the omission by the Issuer of the taking of any action required, by any of the provisions hereof or of any indenture supplemental hereto; provided, however, that nothing in this Section 9.2 contained shall permit or be construed as permitting (a) an extension of the date that a Principal Installment is due at maturity or mandatory redemption or reduction in the Principal amount of, or reduction in the rate of or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bond, without the consent of the Registered Owner of such Bond, or (b) a reduction in the amount or extension of the time of any payment required by any Fund established hereunder applicable to any Bonds without the consent of the Registered Owners of all the Bonds which would be affected by the action to be taken, or (c) a reduction in the aforesaid aggregate Principal amount of Bonds, the Registered Owners of which are required to consent to any such waiver or Supplemental Indenture, or (d) affect the rights of the Registered Owners of less than all Bonds then outstanding, without the consent of the Registered Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken. In addition, no supplement hereto shall modify the rights, duties or immunities of the Trustee, without the written consent of the Trustee. If a Security Instrument or a Reserve Instrument is in effect with respect to any Series of Bonds Outstanding and if a proposed modification or amendment would affect such Series of Bonds, then, except as provided in Section 9.1 hereof, neither this Indenture nor any Supplemental Indenture with respect to such Series of Bonds shall be modified or amended at any time without the prior written consent of the related Security Instrument Issuer or Reserve Instrument Provider, as applicable.

If at any time the Issuer shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section 9.2, the Trustee, shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given by registered or certified mail to the Bondholder of each Bond shown by the list of Bondholders required by the terms of Section 2.6 hereof to be kept at the office of the Trustee. Such notices shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Corporate Trust Office of the Trustee for inspection by all Bondholders. At the time such notices are mailed by the Trustee, the Issuer may, but is not required to, designate a reasonable time period for receipt of such consents and shall include such requirement in the notices sent to the Bondholders. If the Bondholders of not less than 66 2/3% in aggregate Principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as is in this Article IX permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Section 9.3 Opinion of Counsel as to Supplemental Indenture. In executing any Supplemental Indenture, the Trustee shall receive and will be fully protected in conclusively relying upon an opinion of counsel stating that the execution of such Supplemental Indenture is authorized or permitted by this Indenture and is the legal, valid and binding obligation of the Issuer, enforceable against it in accordance with its terms.

ARTICLE X

DISCHARGE OF INDENTURE

If the Issuer shall pay or cause to be paid, or there shall be otherwise paid or provision for payment made, to or for the Registered Owners of the Bonds, the Principal of and interest due or to become due thereon at the times and in the manner stipulated therein, and shall pay or cause to be paid to the Trustee all sums of moneys due or to become due according to the provisions hereof, and to all Security Instrument Issuers and all Reserve Instrument Providers all sums of money due or to become due according to the provisions of any Security Instrument Agreements, Reserve Instrument Agreements, as applicable, then these presents and the estate and rights hereby granted shall cease, terminate and be void, whereupon the Trustee shall cancel and discharge the lien hereof, and release, assign and deliver unto the Issuer any and all the estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee, held by the Trustee, or otherwise subject to the lien hereof, except moneys or securities held by the Trustee for the payment of the Principal of and interest on the Bonds, the payment of amounts pursuant to any Security Instrument Agreements or the payment of amounts pursuant to any Reserve Instrument Agreements.

Any Bond shall be deemed to be paid within the meaning of this Article X when payment of the Principal of such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided herein, or otherwise), either (a) shall have been made or caused to have been made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with or for the benefit of the Trustee, in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment, or (ii) Direct Obligations, maturing as to Principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee and any paying agent pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits hereof, except for the purposes of any such payment from such moneys or Direct Obligations.

Any discharge of the lien of the Indenture shall also be subject to any applicable terms of a related Supplemental Indenture.

Notwithstanding the foregoing, in the case of Bonds, which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding Paragraph shall be deemed a payment of such Bonds as aforesaid until the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

- (a) stating the date when the Principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted hereby);
- (b) directing the Trustee to call for redemption pursuant hereto any Bonds to be redeemed prior to maturity pursuant to the provisions of this Indenture; and
- (c) if the Bonds to be redeemed will not be redeemed within 90 days of such deposit, directing the Trustee to mail, as soon as practicable, in the manner prescribed by Article II hereof, a notice to the Registered Owners of such Bonds and to each related Security Instrument Issuer that the deposit required by this Article X has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Article X and stating the maturity or redemption date upon which moneys are to be available for the payment of the Principal or redemption price, if applicable, on said Bonds as specified in Subparagraph (a) above.

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

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

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

ARTICLE XI

MISCELLANEOUS

Section 11.1 Consents, Etc., of Registered Owners. Any consent, request, direction, approval, objection or other instrument required hereby to be executed by the Registered Owners, Security Instrument Issuers or Reserve Instrument Providers may be in any number of concurrent writings of similar tenor and may be executed by such Registered Owners, Security Instrument Issuers or Reserve Instrument Providers in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent, if made in the following manner, shall be sufficient for any of the purposes hereof, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely, the fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution. The amount of Bonds held by any person executing such instrument as a Registered Owner of Bonds and the fact, amount and numbers of the Bonds held by such person and the date of his holding the same shall be proved by the registration books of the Trustee.

Section 11.2 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person other than the parties hereto, the Registered Owners of the Bonds, any Security Instrument Issuer and any Reserve Instrument Provider, any legal or equitable right, remedy or claim under or in respect hereto or any covenants, conditions and provisions herein contained, this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, the Registered Owners of the Bonds, any Security Instrument Issuer and the Reserve Instrument Providers as herein provided.

Section 11.3 Severability. If any provision hereof shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or Sections herein contained, shall not affect the remaining portions hereof, or any part thereof.

Section 11.4 Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper on the Issuer if the same shall be duly mailed by registered or certified mail or sent by facsimile addressed as to it at 40 South Main Street, Spanish Fork City, Utah 84660, Attention: Mayor, or to such address as the Issuer may from time to time file with the Trustee. It shall be sufficient service of any notice or other paper on the Trustee if the same shall be duly mailed by registered or certified mail or sent by facsimile addressed to it at One South Main Street, 12th Floor, Salt Lake City, UT 84133, Attention: Corporate Trust Department, or to such other address as the Trustee may from time to time file with the Issuer.

Section 11.5 Trustee as Paying Agent and Registrar. The Trustee is hereby designated and agrees to act as principal Paying Agent and Registrar for and in respect to the Bonds.

Section 11.6 Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.7 Applicable Law. THIS INDENTURE SHALL BE GOVERNED EXCLUSIVELY BY THE APPLICABLE LAWS OF THE STATE.

Section 11.8 Immunity of Officers and Directors. No recourse shall be had for the payment of the Principal of or premium or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement herein contained against any past, present or future officer, or other public official, employee, or agent of the Issuer.

Section 11.9 Holidays. If any date for the payment of Principal of or interest on the Bonds is not a Business Day, then such payment shall be due on the first Business Day thereafter and no interest shall accrue for the period between such date and such first Business Day thereafter.

Section 11.10 Effective Date. This Indenture shall become effective upon the Effective Date.

Section 11.11 Compliance with Act. It is hereby declared by the Issuer’s Governing Body that it is the intention of the Issuer by the execution of this Indenture to comply in all respects with the provisions of the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be executed as of the date first written above.

SPANISH FORK CITY, UTAH, as Issuer

(SEAL)

By: _____
Mayor

ATTEST:

By: _____
City Recorder

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, as Trustee

By: _____

Title: _____

EXHIBIT A

FORM OF REQUISITION

Re: Spanish Fork City, Utah, Water Revenue Bonds, _____ in the sum of \$ _____

Zions Bancorporation, National Association

One South Main Street, 12th Floor

Salt Lake City, Utah 84133

You are hereby authorized to disburse from the Series _____ Account of the Acquisition/Construction Fund with regard to the above-referenced bond issue the following:

REQUISITION NUMBER: _____

NAME AND ADDRESS OF PAYEE: _____

AMOUNT: \$ _____

PURPOSE FOR WHICH EXPENSE HAS BEEN INCURRED: _____

Each obligation, item of cost, or expense mentioned herein has been properly incurred, is a proper charge against the Series _____ Account of the Acquisition/Construction Fund based upon audited, itemized claims substantiated in support thereof (evidence of such support not herein required by the Trustee), is justly due and owing and constitutes a Cost of a Project and has not been the basis for a previous withdrawal.

The amount remaining in the Series _____ Account of the Acquisition/Construction Fund after such disbursement is made, together with the amount of unencumbered Net Revenues, if any, which the Issuer reasonably estimates will be deposited in the Series _____ Account of the Acquisition/Construction Fund during the period of construction of the Project from the investment of moneys on deposit in the Series _____ Account of the Acquisition/Construction Fund, will, together with any other moneys lawfully available or expected to be lawfully available for payment of the Cost of the Project and after payment of the amount requested in said requisition, be sufficient to pay the Cost of Completion for the Project in accordance with the plans and specifications therefor then in effect; it being understood that no moneys from the Series _____ Account of the Acquisition/Construction Fund may be expended unless, after giving effect thereto, the funds remaining in the Series _____ Account of the Acquisition/Construction Fund, together with such other funds and income and lawfully available moneys, are sufficient to pay the Cost of Completion for the Project.

DATED: _____ By: _____

Its: _____

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon the issuance of the 2020 Bonds, Gilmore & Bell, P.C., Bond Counsel to the City, proposes to issue its approving opinion in substantially the following form:

We have acted as bond counsel to Spanish Fork, Utah (the “Issuer”) in connection with the issuance by the Issuer of its \$10,685,000 Water Revenue Bonds, Series 2020 (the “Series 2020 Bonds”). The Series 2020 Bonds are being issued pursuant to (i) resolutions of the city council of the Issuer adopted on August 18, 2020 and September 15, 2020; (ii) a General Indenture of Trust dated as of October 1, 1998 (the “General Indenture”), as previously amended and supplemented and as further amended and supplemented by a Sixth Supplemental Indenture of Trust dated as of November 1, 2020 (the “Sixth Supplemental Indenture” and together with the General Indenture, the “Indenture”), each by and between the Issuer and Zions Bancorporation, National Association, as trustee; and (iii) the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended, and other applicable provisions of law. The Series 2020 Bonds are being issued for the purposes of (a) financing the construction of additions and improvements to the City’s water system and (b) paying certain issuance expenses to be incurred in connection with the issuance and sale of the Series 2020 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 2020 Bonds under the applicable laws of the State of Utah and to a review of the transcript of such proceedings and certificates. As to questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

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

1. The Indenture has been authorized, executed and delivered by the Issuer, constitutes a valid and binding obligation of the Issuer enforceable against the Issuer, and creates a valid lien on the Net Revenues (as defined in the Indenture) and the other amounts pledged thereunder for the security of the Series 2020 Bonds.

2. The Series 2020 Bonds are valid and binding special obligations of the Issuer payable solely from the Net Revenues and other amounts pledged therefor in the Indenture, and the Series 2020 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 2020 Bonds (i) is excludable from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2020 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 2020 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2020 Bonds.

4. The interest on the Series 2020 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 2020 Bonds.

The rights of the holders of the Series 2020 Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent

applicable, and their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases.

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

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by Spanish Fork City, Utah (the “City”), in connection with the issuance of the City’s Water Revenue Bonds, Series 2020 in the aggregate principal amount of \$10,685,000 (the “Bonds”). The Bonds are being issued pursuant to (i) the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the “Act”); (ii) resolutions of the City adopted on August 18, 2020 and September 15, 2020 (together the “Resolution”) (iii) a General Indenture of Trust dated as of October 1, 1998, as supplemented and amended and as further supplemented and amended by a Sixth Supplemental Indenture of Trust dated as of November 1, 2020 (together, the “Indenture”), each between the City and Zions Bancorporation, National Association, as trustee (the “Trustee”); and (iv) other provisions of law. The Bonds are being issued for the purpose of (a) financing the construction of additions and improvements to the City’s water system and (b) paying authorization and issuance expenses incurred in connection with the Bonds. The City covenants and agrees as follows:

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

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

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

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

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

“Financial Obligation” means a (a) debt obligation, (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) guarantee of (a) or (b) in this definition; provided however, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

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

“Official Statement” shall mean the Official Statement of the City dated October 22, 2020, relating to the Bonds.

“Participating Underwriter” shall mean the original underwriter or purchaser of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The City shall prepare an Annual Report of the City and shall, or shall cause the Dissemination Agent to, on or before February 5 of each year (not more than 220 days following the end of each fiscal year of the City), commencing with the fiscal year ended June 30, 2020, provide or cause to be provided to the MSRB, the Annual Report of the City which is consistent with the requirements of Section 4 of this Disclosure Undertaking. Not later than fifteen (15) business days prior to said date, the City shall provide the Annual Report of the City to the Dissemination Agent. In each case, the Annual Report of the City may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Undertaking; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report of the City, and later than the date required above for the filing of the Annual Report of the City if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for Listed Event under Section 5(f).

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

(c) If the Dissemination Agent is unable to verify that the Annual Report of the City has been provided to the MSRB by the dates required in Sections 3(a) and 3(b), the Dissemination Agent, or if there is no Dissemination Agent, the City shall, in a timely manner, send a notice to the MSRB.

(d) The Dissemination Agent shall:

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

(ii) file reports with the City, as appropriate, certifying that the Annual Report of the City has been provided pursuant to this Disclosure Undertaking, stating the date it was provided and listing the website address to which it was provided.

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

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

(b) An update of the information of the type contained in the Official Statement in the tables under the headings (as the same remains historically available):

“HISTORICAL DEBT SERVICE COVERAGE;” “THE WATER SYSTEM—Water Sources and Supplies,” “—Customers and Water Usage—*Connections*,” “—*Largest Paying Water Customers*,” “—Historical Five Year Financial Summaries of the Water System;” “SPANISH FORK CITY UTAH—Taxable, Fair Market and Market Value of Property,” “—Historical Summaries of Taxable Value of Property;” “DEBT STRUCTURE OF THE CITY—Outstanding Water Revenue Bonded Indebtedness,” “—Outstanding Sewer Revenue Bonded Indebtedness,” “—Outstanding Sales Tax Revenue Bonded Indebtedness,” “—Debt Service Schedule of Outstanding Water Revenue Bonds by Fiscal Year.”

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City, as appropriate or related public entities, which have been submitted to

the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City, as appropriate, shall clearly identify each such other document so incorporated by the reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds in a timely manner but not more than ten (10) business days after the event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;
- (vi) Defeasances;
- (vii) Tender offers;
- (viii) Bankruptcy, insolvency, receivership or similar proceedings;
- (ix) Rating changes; or
- (x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the City shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds in a timely manner not more than ten (10) business days after the Listed Event, if material:

- (i) Mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;
- (ii) Appointment of a successor or additional trustee or the change of the name of a trustee;
- (iii) Non-payment related defaults;
- (iv) Modifications to the rights of the owners of the Bonds;
- (v) Bond calls;
- (vi) Release, substitution or sale of property securing repayment of the Bonds; or
- (vii) Incurrence of a Financial Obligation of the City or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.

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

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

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

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB in a timely manner but in no case not more than ten (10) business days after the Listed Event.

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

Section 7. Dissemination Agent. The City hereby appoints itself as Dissemination Agent under this Disclosure Undertaking.

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an "obligated person" (as defined in the Rule) with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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

Section 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report of the City or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure

Undertaking. If the City chooses to include any information in any Annual Report of the City or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report of the City or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Undertaking, any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Undertaking. The sole remedy under this Disclosure Undertaking in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Undertaking shall be an action to compel performance.

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

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

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

Dated: November 5, 2020

SPANISH FORK CITY, UTAH

(SEAL)

By: _____
Mayor

ATTEST:

City Recorder

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APPENDIX E

BOOK-ENTRY SYSTEM

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

Purchases of 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2020 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 2020 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 2020 Bonds, except in the event that use of the book-entry system for the 2020 Bonds is discontinued.

To facilitate subsequent transfers, all 2020 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 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2020 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 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2020 Bonds may wish to ascertain that the nominee holding the 2020 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2020 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 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede &

Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2020 Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2020 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, 2020 Bond certificates will be printed and delivered to DTC.

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

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SPANISH FORK
PRIDE & PROGRESS