
OFFICIAL NOTICE OF BOND SALE
and
PRELIMINARY OFFICIAL STATEMENT

\$4,870,000*

City of Washington Terrace, Utah

Utility Revenue Bonds, Series 2017

Electronic bids will be received up to 9:30:00 A.M., M.S.T., via the *PARITY*[®] electronic bid submission system, on Thursday, January 12, 2017.

* Preliminary; subject to change.

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OFFICIAL NOTICE OF BOND SALE

\$4,870,000*

UTILITY REVENUE BONDS, SERIES 2017

OF

THE CITY OF WASHINGTON TERRACE, WEBER COUNTY, UTAH

On Thursday, January 12, 2017, appropriate officials of the City of Washington Terrace, Weber County, Utah (the “City”), will receive electronic bids via the *PARITY*® electronic bid submission system (“*PARITY*®”) at the offices of Zions Public Finance, Inc., in Salt Lake City, Utah, the Municipal Advisor (the “Municipal Advisor”) to the City no later than 9:30:00 a.m., Mountain Standard Time pursuant to this Official Notice of Bond Sale (the “*Official Notice of Bond Sale*”) for the purchase, all or none (“*AON*”), of \$4,870,000* aggregate principal amount of Utility Revenue Bonds, Series 2017 (the “Bonds”) to be issued by the City to fund costs of constructing certain improvements to the City’s water, sewer, storm water, and refuse collection facilities, including a public works building, and related improvements (the “Project”). The Bonds will be issued pursuant to a resolution adopted by the City Council (the “City Council”) of the City on September 6, 2016, authorizing the Bonds and appointing a Pricing Committee to finalize the terms of the Bonds pursuant a Fifth Supplemental Indenture of Trust to be dated as of January 1, 2017, supplementing a General Indenture of Trust dated as of June 1, 2001 (collectively the “Indenture”). The Pricing Committee consists of the City Manager and the City Finance Director.

All bids must be submitted electronically in their entirety, on Thursday, January 12, 2017, no later than 9:30:00 a.m., Mountain Standard Time. No bids will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in *PARITY*® conflict with this Official Notice of Bond Sale, the terms of this Official Notice of Bond Sale shall control. For further information about the Bonds or *PARITY*®, potential bidders may contact the Municipal Advisor at One South Main, 18th Floor, Salt Lake City, Utah 84133-1109, telephone (801) 844-7373, facsimile (801) 844-4484, or eric.pehrson@zionsbancorp.com or johnathan.ward@zionsbancorp.com. The time as maintained by *PARITY*® shall constitute the official time. No other provider of electronic bidding services, and no other means of delivery (*i.e.*, telephone, telefax, physical delivery, etc.) will be accepted, except as described herein. See “PROCEDURES REGARDING BIDDING” below.

DESCRIPTION OF BONDS: The Bonds will be dated their date of delivery¹, will be issuable only as fully-registered bonds in book-entry form, will be issued in the denominations of \$5,000 or any whole multiple thereof, not exceeding the amount of each maturity, and will mature serially on June 1 of each of the years and in the principal amounts as follows:

* Preliminary; subject to change. See caption “ADJUSTMENT OF PRINCIPAL AMOUNT OF BONDS” in this OFFICIAL NOTICE OF BOND SALE.

¹ The anticipated date of delivery of the Bonds is Thursday, January 26, 2017.

| Year (June 1) | Principal <u>Amount*</u> |
|------------------|-----------------------------|
| 2018 | \$165,000 |
| 2019 | 170,000 |
| 2020 | 175,000 |
| 2021 | 175,000 |
| 2022 | 185,000 |
| 2023 | 190,000 |
| 2024 | 200,000 |
| 2025 | 210,000 |
| 2026 | 220,000 |
| 2027 | 230,000 |
| 2028 | 240,000 |
| 2029 | 250,000 |
| 2030 | 260,000 |
| 2031 | 275,000 |
| 2032 | 285,000 |
| 2033 | 300,000 |
| 2034 | 310,000 |
| 2035 | 325,000 |
| 2036 | 345,000 |
| 2037 | 360,000 |

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

TERM BONDS AND MANDATORY SINKING FUND REDEMPTION AT BIDDER’S OPTION: The Bonds scheduled may be rescheduled, at bidder’s option, to mature as term bonds on one or more dates within that period, in which event the Bonds will mature and be subject to mandatory sinking fund redemption in such amounts and on such dates as will correspond to the above–designated maturity dates and principal amounts maturing on those dates.

ADJUSTMENT OF PRINCIPAL AMOUNT OF BONDS: The City reserves the right, following determination of the best bid(s), to adjust the aggregate principal amount of each maturity the Bonds by the amount necessary to properly size the issue so that the proceeds available to the City from the purchase price will be sufficient to construct the Project and to pay the costs of issuing the Bonds. Any such adjustment will be in an amount of \$5,000 or an integral multiple thereof.

The City may adjust the aggregate principal amount of Bonds maturing on any maturity date as described in this paragraph provided that the total principal amount of the Bonds issued will not exceed \$6,000,000. The dollar amount of the price bid by the successful bidder may be changed as described herein, but the interest rates specified by the successful bidder for all maturities will not change. A successful bidder may not withdraw its bid as a result of any changes within these limits and the City will consider the bid as having been made for the adjusted amount of the Bonds. The dollar amount of the price bid will be changed so that the percentage net

compensation to the successful bidder (i.e., the percentage resulting from dividing (i) the aggregate difference between the offering price of the Bonds to the public and the price to be paid to the City, by (ii) the principal amount of the Bonds) does not increase or decrease from what it would have been if no adjustment was made to the principal amounts shown in this OFFICIAL NOTICE OF BOND SALE.

If the City elects to make such an adjustment, the amount of such adjustment will be made, as determined by the City, with the advice of the City's Municipal Advisor. The City expects to advise the apparent successful low bidder as soon as possible, but no later than 4:00 p.m., M.S.T., on the date of sale, of any adjustments to the maturity schedule of the Bonds. Such notice does not and cannot alter or impair the City's reservation to reject any and all bids and is subject to verification by the Municipal Advisor not later than thirty-six (36) hours after the expiration of the time herein prescribed for receipt of bids, unless such times of notification is waived by the successful bidder. The City will consider the bid as having been made for the adjusted maturity schedule of the Bonds.

To facilitate any adjustment in the principal amount, the successful bidder(s) is required to indicate by facsimile or email transmission to the Municipal Advisor at, for fax, fax number (801) 844-4484 or, for an email, johnathan.ward@zionsbancorp.com or eric.pehrson@zionsbancorp.com within one-half hour of the time of bid opening, the amount of any original issue discount or premium on each maturity of the Bonds and the amount received from the sale of the Bonds to the public that will be retained by the successful bidder(s) as its compensation.

RATING: The City will, at its own expense, pay fees of Standard & Poor's Global Ratings for rating the Bonds. Any additional ratings shall be at the option and expense of the bidder. Standard & Poor's Global Ratings has assigned a (non-credit enhanced) rating of "AA" to the Bonds.

PURCHASE PRICE: The purchase price bid shall not be less than one-hundred percent (100%) the principal amount of the Bonds (\$4,870,000*).

INTEREST RATES: Bidders must specify the rate of interest with respect to each maturity of Bonds. Bidders will be permitted to bid different rates of interest for each separate maturity of Bonds, but:

- (a) the highest interest rate bid for any of the Bonds shall not exceed five percent (5.00%) per annum;
- (b) each interest rate specified in any bid must be in a multiple of one-eighth or one-twentieth of one percent (1/8th or 1/20th of 1%) per annum;
- (c) no Bond shall have more than one rate of interest;
- (d) interest shall be computed from the dated date of a Bond to its stated maturity date at the single interest rate specified in the bid for the Bonds of such maturity;
- (e) the purchase price must be paid in immediately available funds and no bid will be accepted that contemplates the cancellation of any interest or the waiver of interest or other concession by the bidder as a substitute for immediately available funds;

- (f) any premium must be paid in the funds specified for the payment of the Bonds as part of the purchase price;
- (g) there shall be no supplemental interest coupons;
- (h) a zero percent (0%) interest rate may not be used; and
- (i) interest shall be computed on the basis of a 360-day year of 12, 30-day months.

Interest will be payable commencing June 1, 2017, and semiannually thereafter on June 1 and December 1 of each year.

BOND REGISTRAR AND PAYING AGENT; PLACE OF PAYMENT: U.S. Bank, Salt Lake City, Utah, will be the paying agent and bond registrar for the Bonds. The City may remove any paying agent and any bond registrar, and any successor thereto, and appoint a successor or successors thereto. Principal of the Bonds will be payable when due to the registered owner of each Bond upon presentation and surrender thereof at the principal corporate trust office of the paying agent at maturity or upon redemption prior to maturity. Payment of interest on each Bond will be made to the person who, as of the record date, is the registered owner of the Bond and shall be made by check or draft mailed to the person who, as of the record date, is the registered owner of the Bond, at the address of such registered owner as it appears on the registration books of the City kept by the bond registrar.

OPTIONAL REDEMPTION: The Bonds maturing on or after June 1, 2027, will be subject to optional redemption at the option of the City on December 1, 2026, and on any date thereafter prior to maturity, in whole or in part, from such maturities or parts thereof as may be selected by the City and by lot within each maturity if less than the full amount of any maturity is to be redeemed, upon not less than 30 days' prior written notice, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the redemption date.

SECURITY: The Bonds will be limited obligations of the City, payable solely from the Net Revenues of the City's water, sewer, storm water and refuse collection systems and other amounts pledged therefore in the Indenture. The Bonds do not constitute a general obligation indebtedness of the City within the meaning of any state constitutional provision or statutory limitation, nor a charge against the general credit or ad valorem taxing power of the City, the State of Utah or any political subdivision thereof.

AWARD: Official award or rejection of bids will be made on Thursday, January 12, 2017, by the Pricing Committee referred to above. The Bonds will be awarded to the responsible bidder offering to pay not less than one hundred percent (100.0%) of the par amount of the Bonds and accrued interest thereon and specifying a rate or rates of interest that result in the lowest effective interest rate to the City. The effective interest rate to the City shall be the interest rate per annum determined on a per annum true interest cost ("*TIC*") basis by discounting the scheduled semi-annual debt service payments of the City on the Bonds (based on such rate or rates of interest so bid) to the dated date of the Bonds (based on a 360-day year), compounded semi-annually and to the bid price, excluding accrued interest to the date of delivery. The Municipal Advisor shall notify the successful bidder of the award not later than 4:00:00 p.m. Mountain Standard Time, on Thursday, January 12, 2017, unless such time of notification is waived by the successful bidder

PROCEDURES REGARDING BIDDING: All bids must be submitted electronically in their entirety, on Thursday, January 12, 2017, no later than 9:30:00 a.m., Mountain Standard Time. No bids will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in *PARITY*® conflict with this Official Notice of Bond Sale, the terms of this Official Notice of Bond Sale shall control. For further information about the Bonds or *PARITY*®, potential bidders may contact the Municipal Advisor at One South Main, 18th Floor, Salt Lake City, Utah 84133-1109, telephone (801) 844-7373, facsimile (801) 844-4484, or eric.pehrson@zionsbancorp.com or johnathan.ward@zionsbancorp.com. The time as maintained by *PARITY*® shall constitute the official time. No other provider of electronic bidding services, and no other means of delivery (*i.e.*, telephone, telefax, physical delivery, etc.) will be accepted, except as described herein

Each prospective bidder shall be solely responsible to register to bid via PARITY® as described above. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access PARITY® for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Bond Sale. Neither the City nor i-Deal LLC shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the City nor i-Deal LLC shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The City is using PARITY® as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Bonds.

FORM OF BID: Each bidder is required to transmit electronically via *PARITY*® an unconditional bid specifying the lowest rate or rates of interest and the purchase price, which shall not be less than the principal amount of the Bonds (\$4,870,000*), at which the bidder will purchase the Bonds. *Each bid must be for all the Bonds herein offered for sale.*

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

No bids will be accepted in any other medium or on any system other than by means of *PARITY*® as described above, *provided*, that in the event the prospective bidder cannot access *PARITY*® through no fault of its own, it may so notify the Municipal Advisor by telephone at (801) 844-7373. Thereafter, it may submit its bid by telephone to the Municipal Advisor, who shall transcribe such bid into written form, or by facsimile transmission to the Municipal Advisor at (801) 844-4484, in either case before 9:30:00 Mountain Standard Time, on Thursday, January 12, 2017. Each bid submitted as provided in this paragraph must specify: (a) an offer to purchase not less than all of the Bonds; and (b) the lowest rate of interest at which the bidder will purchase the Bonds at a price of not less than the principal amount of the Bonds (\$4,870,000*). No bid will be received after the time for receiving such bids specified herein.

If requested by the Municipal Advisor, Zions Public Finance, Inc., the apparent successful bidder will provide written confirmation of its bid (by facsimile transmission) to the Municipal Advisor prior to 2:00 p.m. Mountain Standard Time, on Thursday, January 12, 2017.

RIGHT OF CANCELLATION: The successful bidder shall have the right, at its option, to cancel its obligation to purchase the Bonds if the City shall fail to execute the Bonds and tender

the same for delivery within 60 days from the date of sale thereof, and in such event the successful bidder shall be entitled to the return of the deposit accompanying its bid.

GOOD FAITH DEPOSIT: A Good Faith Deposit (the “*Deposit*”) in the amount of \$50,000 is required only from the apparent successful bidder. The Deposit shall be payable to the City in the form of a wire transfer in federal funds as instructed by the Municipal Advisor no later than 4:00 p.m. Mountain Standard Time, on the date of the sale. As an alternative to wiring funds, a bidder may deliver a cashier’s or certified check, payable to the order of the City, with its bid. If a check is used, it must be delivered to the Municipal Advisor no later than 4:00 p.m. Mountain Standard Time, on the date of the sale.

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

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

PROMPT AWARD: The City will take action awarding the Bonds or rejecting all bids not later than 36 hours after the expiration of the time herein prescribed for the receipt of bids, unless such time of award is waived by the successful bidder.

MANNER AND TIME OF DELIVERY: The successful bidder will be given at least five business days’ advance notice of the proposed date of the delivery of the Bonds when that date has been determined. It is now estimated that the Bonds will be delivered in book–entry form on or about Thursday, January 26, 2017. The Bonds will be prepared and delivered as fully–registered bonds and in such authorized denominations as the successful bidder shall request at least two business days prior to the delivery date. Delivery of the Bonds will be made in Salt Lake City, Utah, except that the successful bidder may at its option and expense designate some other place of delivery, that expense to include travel expenses of three City officials or three representatives of the City and closing expenses. The successful bidder must also agree to pay for the Bonds in federal funds that will be immediately available to the City in Utah, on the day of delivery.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with terms of the contract of sale. All expenses in relation to the providing of CUSIP numbers for the Bonds shall be paid for by the City.

TAX–EXEMPT STATUS: In the opinion of Blaisdell, Church & Johnson, LLC, Bond Counsel to the Issuer, interest on the Bonds is excludable from gross income for purposes of federal

income tax under existing laws as enacted and constructed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the City and continuing compliance by the City with the requirements of the Internal Revenue Code 1986. Interest on the Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax (“AMT”); however, interest on Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel expresses no opinion regarding any other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of Utah individual income taxes under currently existing law.

ISSUE PRICE: In order to enable the City to comply with certain conditions of the Code, the successful bidder will be required to provide a certificate as to the “issue price” of the Bonds. Each bidder, by submitting its bid, agrees to complete, execute and deliver such certificate, in form and substance satisfactory to Bond Counsel, by the date of delivery of the Bonds, if its bid is accepted by the City. It will be the responsibility of the successful bidder to institute such syndicate reporting requirements, to make such investigation or otherwise to ascertain the facts necessary to make such certification.

LEGAL OPINION AND CLOSING CERTIFICATES: The approving opinion of Blaisdell, Church & Johnson, LLC. covering the legality of the Bonds will be furnished to the successful bidder. An opinion of the City Attorney and closing certificates will also be furnished, dated as of the date of delivery of and payment for the Bonds, including a statement that there is no litigation pending or, to the knowledge of the signer thereof, threatened affecting the validity of the Bonds.

DISCLOSURE CERTIFICATE: The closing papers will include a certificate executed by the Mayor or other officer of the City and the City Recorder of the City confirming to the successful bidder that, to the best of the knowledge of the signers thereof, and after reasonable investigation: (a) the descriptions and statements contained in the Preliminary Official Statement circulated with respect to the Bonds (the “*Preliminary Official Statement*”) were at the time of the acceptance of the bid true and correct in all material respects and did not at the time of the acceptance of the bid contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (b) the descriptions and statements contained in the final Official Statement relating to the Bonds (the “*Official Statement*”) are at the time of the delivery of the Bonds true and correct in all material respects and do not at the time of the delivery of the Bonds contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided*, should the final Official Statement be supplemented or amended subsequent to the date thereof, the foregoing confirmation as to the final Official Statement shall relate to the final Official Statement as so supplemented or amended.

PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL: The City has deemed the Preliminary Official Statement final as of its date, for purposes of paragraph (b)(1) of Rule 15c2-12 (the “*Rule*”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, subject to completion with certain information to be established at the time of sale of the Bonds as permitted by the Rule.

CONTINUING DISCLOSURE: The City covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the “*Undertaking*”) to provide ongoing disclosure about the City for the benefit of the beneficial owners of the Bonds on or before the date of delivery of the Bonds as required under paragraph (b)(5) of the Rule. The Undertaking shall be as described in the Preliminary Official Statement, with such changes as may be agreed upon in writing by the successful bidder

The successful bidder’s obligation to purchase the Bonds shall be conditioned upon the City delivering the Undertaking on or before the date of delivery of the Bonds.

DELIVERY OF COPIES OF FINAL OFFICIAL STATEMENT: The City shall deliver to the successful bidder no later than the seventh business day after the award of the Bonds as described under the caption “Award” above, a final Official Statement in electronic format, to comply with paragraph (b)(4) of Rule 15c2–12 of the Securities and Exchange Commission and the rules of the Municipal Securities Rulemaking Board.

ADDITIONAL INFORMATION: For paper copies of this Official Notice of Bond Sale and the Preliminary Official Statement and information regarding the bidding procedures and other related information with respect to the Bonds, contact the Municipal Advisor to the City, Advisor, Zions Public Finance, Inc. at One South Main, 18th Floor, Salt Lake City, Utah 84133–1109, telephone (801) 844–7373, facsimile (801) 844–4484, or eric.pehrson@zionsbancorp.com or johnathan.ward@zionsbancorp.com.

DATED this December 29, 2016.

CITY OF WASHINGTON TERRACE, UTAH

By /s/ Mark C. Allen
Mayor

ATTEST:

/s/ Amy Rodriguez
City Recorder

EXHIBIT A

FORM OF CERTIFICATE OF PURCHASER

On behalf of _____, Purchaser, I hereby certify in connection with the issuance of the \$_____ City of Washington Terrace, Weber County, Utah, Utility Revenue Bonds, Series 2017 (the "Bonds") as follows:

1. We have made a bona fide public offering of the 2017 Bonds to the public at the reoffering price as set forth below

| <u>Maturity Date</u> <u>(June 1)</u> | <u>Principal Amount of</u> <u>Maturity</u> | <u>Initial Reoffering</u> <u>Price at which</u> <u>Substantial Amount</u> <u>Was Sold</u> | <u>Total Price if Total</u> <u>Maturity Sold at</u> <u>Initial Price</u> |
|-----------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
|-----------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|

2. If such issue price were paid for all of the Bonds, the total issue price to the public would be \$_____
3. A substantial amount (not less than 10%) of the Bonds was sold, or was reasonably expected at the time of the bid for the Bonds to be sold, to the public or final purchasers (not including bon houses, or brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at or below such initial reoffering prices.
4. Based upon our experience the issue price of the Bonds does not exceed their fair market value as of the date of sale thereof.

IN WITNESS WHEREOF, the undersigned has hereunto fixed his official signature this _____ day of _____, 2017

Respectfully submitted,
[NAME OF PURCHASER]

By _____
Its _____

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PRELIMINARY OFFICIAL STATEMENT

\$4,870,000*

City of Washington Terrace, Utah Utility Revenue Bonds, Series 2017

On Thursday, January 12, 2017 up to 9:30:00 A.M., M.S.T., electronic bids will be received by means of the **PARITY**[®] electronic bid submission system. See the “OFFICIAL NOTICE OF BOND SALE—Procedures Regarding Electronic Bidding.”

The 2017 Bonds, as defined herein, will be awarded to the successful bidder(s) and issued pursuant to a resolution of the City of Washington Terrace, Utah previously adopted on September 6, 2016.

The City of Washington Terrace, Utah has deemed this PRELIMINARY OFFICIAL STATEMENT final as of the date hereof, for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission, subject to completion with certain information to be established at the time of sale of the 2017 Bonds as permitted by the Rule.

For copies of the OFFICIAL NOTICE OF BOND SALE, the PRELIMINARY OFFICIAL STATEMENT and other related information with respect to the 2017 Bonds, contact the Municipal Advisor:



**Zions Bank Building
One S Main St 18th Fl
Salt Lake City UT 84133-1109
801.844.7373 | f 801.844.4484
eric.pehrson@zionsbancorp.com**

This PRELIMINARY OFFICIAL STATEMENT is dated December 29, 2016 and the information contained herein speaks only as of that date.

* Preliminary; subject to change.

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PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 29, 2016

NEW ISSUE

Book–Entry Only

Rating: S&P “AA”

See “MISCELLANEOUS—Bond Ratings” herein.

In the opinion of Blaisdell, Church & Johnson, LLC, Bond Counsel to the City, interest on the 2017 Bonds is excludable from gross income for purposes of federal income tax and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Bond Counsel is also of the opinion that under currently existing laws interest on the 2017 Bonds is exempt from State of Utah individual income taxes. See “TAX MATTERS—Tax Exemption” herein for a more complete discussion.

The City intends to designate the 2017 Bonds as “qualified tax–exempt obligations” under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the deductibility of a financial institution’s interest expense allocable to tax–exempt interest. See “TAX MATTERS” herein.

\$4,870,000*

City of Washington Terrace, Utah

Utility Revenue Bonds, Series 2017

The \$4,870,000* Utility Revenue Bonds, Series 2017 are issued by the City as fully–registered bonds and, when initially issued, will be in book–entry form, registered in the name of Cede & Co., as nominee for DTC. DTC will act as securities depository for the 2017 Bonds.

Principal of and interest on the 2017 Bonds (interest payable June 1 and December 1 of each year, commencing June 1, 2017) are payable by U.S. Bank National Association, as Paying Agent, to the registered owners thereof, initially DTC. See “THE 2017 BONDS—Book–Entry System” herein.

The 2017 Bonds are subject to optional redemption prior to maturity and may be subject to mandatory sinking fund redemption at the option of the successful bidder(s). See “THE 2017 BONDS—Redemption Provisions” and “—Mandatory Sinking Fund Redemption At Bidder’s Option” herein.

The 2017 Bonds are being issued to fund certain improvements to the City’s public works facilities for water, sewer, storm water, and refuse collection and for the payment of costs associated with the issuance of the 2017 Bonds. See “THE 2017 BONDS—Estimated Sources And Uses Of Funds” and “THE 2017 PROJECT” herein. The 2017 Bonds and Outstanding Parity Bonds previously issued by the City will be equally and ratably secured under the Indenture.

The 2017 Bonds are limited obligations of the City, payable solely from Net Revenues of the City, 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 2017 Bonds. The 2017 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 2017 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 2017 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 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 2017 Bonds.

The 2017 Bonds will be awarded pursuant to competitive bidding received by means of the *PARITY*® electronic bid submission system on Thursday, January 12, 2017 as set for in the OFFICIAL NOTICE OF BOND SALE (dated December 29, 2016).

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

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

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

* Preliminary; subject to change.

¹ The anticipated date of delivery is Thursday, January 26, 2017.

City of Washington Terrace, Utah

\$4,870,000*

Utility Revenue Bonds, Series 2017

Dated: Date of Delivery¹

Due: June 1, as shown below

| <u>Due June 1</u> | <u>CUSIP® 940198</u> | <u>Principal Amount*</u> | <u>Interest Rate</u> | <u>Yield/ Price</u> |
|-----------------------|--------------------------|------------------------------|--------------------------|-------------------------|
| 2018..... | | \$165,000 | % | % |
| 2019..... | | 170,000 | | |
| 2020..... | | 175,000 | | |
| 2021..... | | 175,000 | | |
| 2022..... | | 185,000 | | |
| 2023..... | | 190,000 | | |
| 2024..... | | 200,000 | | |
| 2025..... | | 210,000 | | |
| 2026..... | | 220,000 | | |
| 2027..... | | 230,000 | | |
| 2028..... | | 240,000 | | |
| 2029..... | | 250,000 | | |
| 2030..... | | 260,000 | | |
| 2031..... | | 275,000 | | |
| 2032..... | | 285,000 | | |
| 2033..... | | 300,000 | | |
| 2034..... | | 310,000 | | |
| 2035..... | | 325,000 | | |
| 2036..... | | 345,000 | | |
| 2037..... | | 360,000 | | |

\$ _____ % Term Bond due June 1, 20__—Price _____ %
(CUSIP® 940198 __)

* Preliminary; subject to change.

¹ The anticipated date of delivery is Thursday, January 26, 2017.

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

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

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

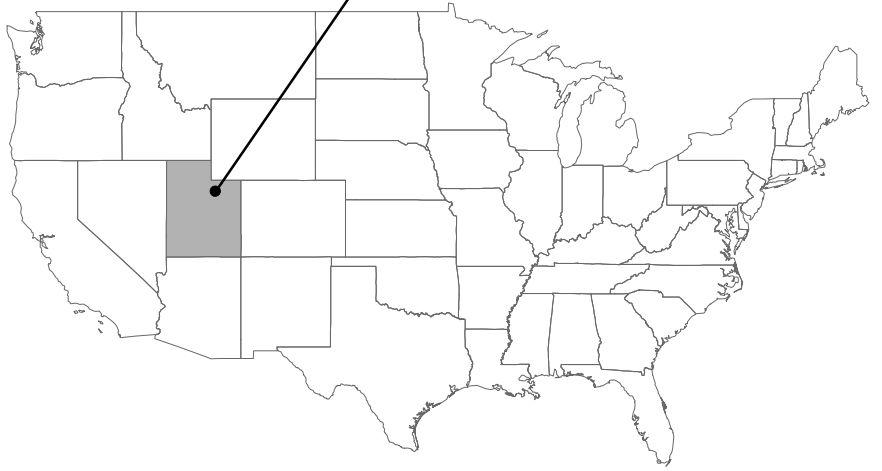
Forward-Looking Statements. Certain statements included or incorporated by reference in this OFFICIAL STATEMENT constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of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

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

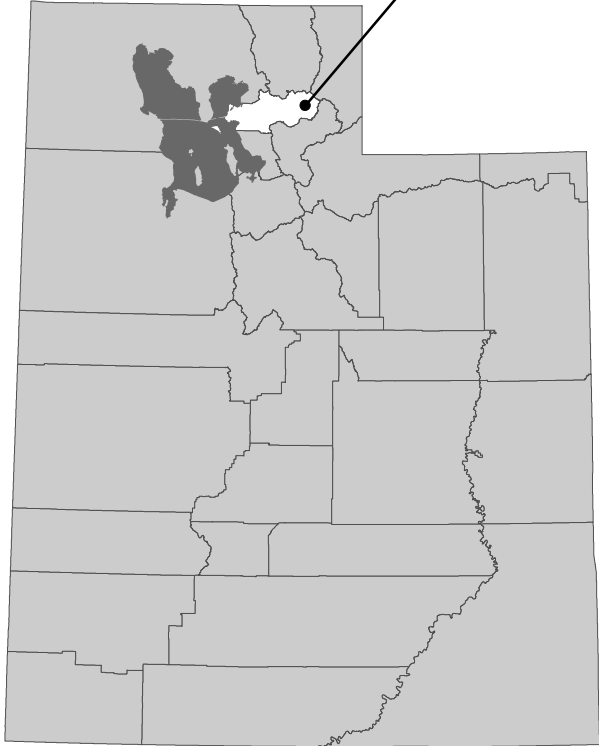
The information available at websites referenced in this OFFICIAL STATEMENT has not been reviewed for accuracy and completeness. Such information has not been provided in connection with the offering of the 2017 Bonds and is not a part of this OFFICIAL STATEMENT.

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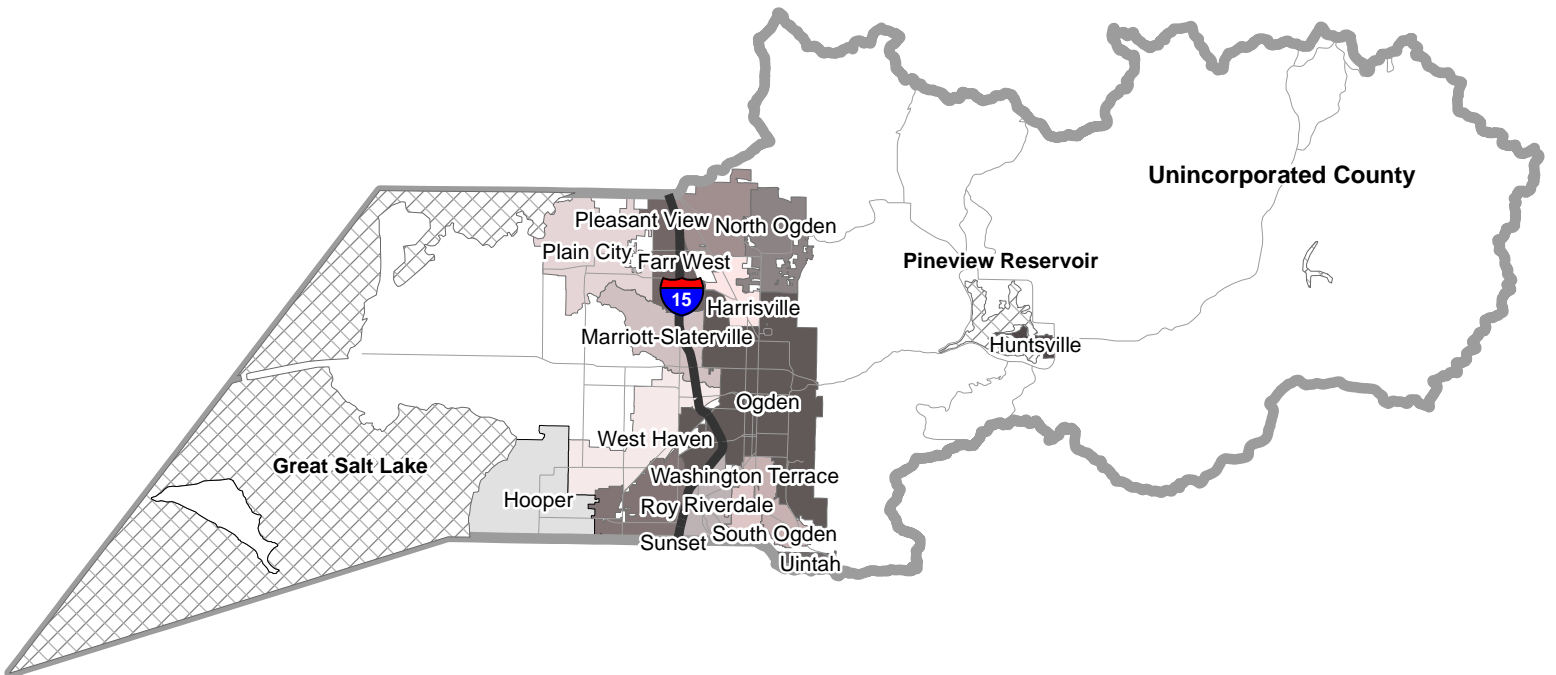
Utah



Weber County



Weber County



OFFICIAL STATEMENT RELATED TO

\$4,870,000*

City of Washington Terrace, Utah

Utility Revenue Bonds, Series 2017

INTRODUCTION

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

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

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

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

Public Sale/Electronic Bid

The 2017 Bonds will be awarded pursuant to competitive bidding received by means of the **PARITY**[®] electronic bid submission system on Thursday, January 12, 2017, pursuant to the OFFICIAL NOTICE OF BOND SALE (dated December 29, 2016).

See the “OFFICIAL NOTICE OF BOND SALE” above.

The 2017 Bonds may be offered and sold to certain dealers (including dealers depositing the 2017 Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the

* Preliminary; subject to change.

inside cover page of the OFFICIAL STATEMENT and that such public offering prices may be changed from time to time.

City Of Washington Terrace

The City, incorporated in December 1958, covers an area of approximately two square miles and is located in southern Weber County, Utah (the “County”). The City is situated between two of the State’s population centers, Salt Lake City (30 miles to the south) and Ogden City, (“Ogden City”) (one mile to the north). The City’s 2015 population was estimated at 9,157 by the U.S. Census Bureau. For more information with respect to the City, see “THE CITY OF WASHINGTON TERRACE, UTAH” herein.

The 2017 Bonds

This OFFICIAL STATEMENT, including the cover page, introduction and appendices, provides information in connection with the issuance and sale by the City of its \$4,870,000* Utility Revenue Bonds, Series 2017 (the “2017 Bonds or “2017 Bond”), initially issued in book–entry form.

Authority And Purpose Of The 2017 Bonds; Outstanding Parity Bonds

The 2017 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, and (ii) a General Indenture of Trust, dated as of June 1, 2001, as previously supplemented and amended (the “General Indenture”) between the City and U.S. Bank National Association, Salt Lake City, Utah (“U.S. Bank”), as trustee (the “Trustee”), as further supplemented by a Fifth Supplemental Indenture of Trust, dated as of January 1, 2017, between the City and the Trustee (the “Fifth Supplemental Indenture”) providing for the issuance of the 2017 Bonds. The General Indenture, together with all amendments or supplements thereto, including without limitation the Fifth Supplemental Indenture, is sometimes referred to collectively herein, as the “Indenture.”

The 2017 Bonds are being issued for the construction of public work facilities for water, sewer, storm water, and refuse collection and for the payment of costs associated with the issuance of the 2017 Bonds. See “THE 2017 BONDS—Estimated Sources And Uses Of Funds” and “THE 2017 PROJECT” below. The 2017 Bonds and the hereinafter described Outstanding Parity Bonds previously issued by the City will be equally and ratably secured under the Indenture.

The City has previously issued under the Indenture its:

(i) \$2,425,000 (original principal amount) Water, Sewer, and Refuse Collection Revenue Bonds, Series 2010A, currently outstanding in the aggregate principal amount of \$1,175,000 (the “2010A Bonds”);

(ii) \$708,000 (original principal amount) Water, Sewer, and Refuse Collection Revenue Bonds, Series 2010B, currently outstanding in the aggregate principal amount of \$573,000 (the “2010B Bonds”);

(iii) \$835,000 (original principal amount) Water, Sewer, and Refuse Collection Revenue Bonds, Series 2010C, currently outstanding in the aggregate principal amount of \$665,000 (the “2010C Bonds”) and collectively with the 2010A Bonds, the 2010B Bonds, and the 2010C Bonds the “Outstanding Parity Bonds”).

* Preliminary; subject to change.

The City's current outstanding aggregate principal amount of Outstanding Parity Bonds is \$2,413,000.

Security For The 2017 Bonds; Additional Bonds

Security for the 2017 Bonds. The 2017 Bonds are payable from and secured solely by a pledge of the Net Revenues from the System and moneys on deposit in the funds and accounts held by the Trustee with respect to the 2017 Bonds under the Indenture. The 2017 Bonds will be issued on a parity with any Additional Bonds, defined herein, which may be issued from time to time under the Indenture. Revenues of the System are applied to pay the System's Operation and Maintenance Expenses before being applied to pay principal of and interest on the 2017 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS."

The 2017 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 2017 Bonds. The City will not mortgage or grant a security interest in the System to secure payment of the 2017 Bonds.

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

See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS" below.

Redemption Provisions

The 2017 Bonds are subject to optional redemption prior to maturity and may be subject to mandatory sinking fund redemption at the option of the successful bidder(s). See "THE 2017 BONDS—Redemption Provisions" and "—Mandatory Sinking Fund Redemption At Bidder's Option" herein.

Rate Covenant

The City covenants and agrees in the Indenture to establish, fix, prescribe and collect rates, charges and fees for the sale or use of System services furnished by the City that are reasonably expected to yield Net Revenues at least equal to the Rate Covenant Requirement (defined below) for the forthcoming Fiscal Year. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS—Rate Covenant" herein.

Registration, Denominations, Manner Of Payment

The 2017 Bonds are issuable only as fully-registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, ("DTC"). DTC will act as securities depository of the 2017 Bonds. Purchases of 2017 Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any 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 2017 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2017 Bonds. "Direct Participants," "Indirect Participants" and "Beneficial Owners" are defined under "APPENDIX E—BOOK-ENTRY SYSTEM."

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

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

Tax-Exempt Status Of The 2017 Bonds; Qualified Tax-Exempt Obligations

Tax-Exempt Status Of The 2017 Bonds. In the opinion of Blaisdell, Church & Johnson, LLC, Bond Counsel to the City, interest on the 2017 Bonds is excludable from gross income for purposes of federal income tax and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Bond Counsel is also of the opinion that under currently existing laws interest on the 2017 Bonds is exempt from State of Utah individual income taxes. See “TAX MATTERS—Tax Exemption” herein for a more complete discussion.

Qualified Tax-Exempt Obligations; Deducibility of Interest. The City intends to designate the 2017 Bonds as qualified tax-exempt obligations under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the deductibility of a financial institution’s interest expenses allocable to tax-exempt interest.

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

Professional Services

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

Bond Counsel and Disclosure Counsel

Blaisdell Church & Johnson LLC
5995 S Redwood Rd
Salt Lake City UT 84123
801.261.3407 x3 | f 801.261.3503
eric@bcjlaw.net

Trustee, Bond Registrar, and Paying Agent

U.S. Bank National Association
Corporate Trust Services
170 S Main St Ste 200
Salt Lake City UT 84101
801.534.6083 | f 801.534.6013
kim.galbraith@usbank.com

Municipal Advisor

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

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

The 2017 Bonds are offered, subject to prior sale, when, as and if issued and received by the successful bidder(s), subject to the approval of legality by Blaisdell Church & Johnson LLC, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed on for the City by the City Attorney, Stephen F. Noel. Certain matters regarding this OFFICIAL STATEMENT will be passed on for the City by Blaisdell, Church, & Johnson, LLC, Disclosure Counsel to the City. It is expected that the 2017 Bonds, in book-entry form, will be available for delivery to DTC or its agent on or about Thursday, January 26, 2017.

Continuing Disclosure Undertaking

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

Basic Documentation

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

Descriptions of the Indenture and the 2017 Bonds are qualified by reference to bankruptcy and other laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity having jurisdiction. See “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE OF TRUST.” Other documentation authorizing the issuance of the 2017 Bonds and establishing the rights and responsibilities of the City and other parties to the transaction may be obtained from the “contact persons” as indicated below.

Contact Persons

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

Johnathan Ward, Vice President, johnathan.ward@zionsbancorp.com

Zions Public Finance, Inc.
Zions Bank Building
One S Main St 18th 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 2017 Bonds are:

Tom Hanson, City Manager, tom@washingtonterracecity.org
Shari’ Garrett, Financial Director, sharip@washingtonterracecity.org

City of Washington Terrace
5249 S 400 E
Washington Terrace UT 84405
801.393.8681 | f 801.393.1921

CONTINUING DISCLOSURE UNDERTAKING

Continuing Disclosure Undertaking For 2017 Bonds

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

Based on such prior disclosure undertakings the City submits its annual financial report (Fiscal Year Ending June 30) and other operating and financial information on or before December 27 of each year (not more than 180 days from the end of the Fiscal Year). The City will submit the Fiscal Year 2017 comprehensive annual financial report and other required operating and financial information for the 2017 Bonds on or before December 27, 2017, and annually thereafter on or before each December 27.

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

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

Failure To Properly Disclose Operating Data On Prior Debt Obligations

Notice of Failure to Disclose Historical Operating Information on Revenue Bonds. The City has previously entered into a disclosure undertaking for the 2010A Bonds (dated and issued on October 12, 2010; base CUSIP® 940198) (the “2010 Revenue Disclosure Undertaking”).

From December 27, 2012 through December 27, 2015 (December 27 being the covenanted due date for annual continuing disclosure submission under the 2010 Revenue Disclosure Undertaking), the City filed its audited financial reports but failed to file its “annual operating and financial information” pursuant to the 2010 Revenue Disclosure Undertaking.

The City submitted the required annual operating and financial information on November 16, 2016 (from December 27, 2012 (1,420 days late); from December 27, 2013 (1,055 days late); from December 27, 2014 (690 days late); and from December 27, 2015 (325 days late) and notified MSRB by filing to EMMA of these failures to comply with its 2010 Revenue Disclosure Undertaking.

The City will update its policies and procedures for filing annual continuing disclosure information in the future and may hire a third party to meet these future disclosure obligations.

Notice of Failure to Disclose Historical Operating Information on General Obligation Bonds. The City had previously entered into a disclosure undertaking for the City’s \$3,445,000, General Obligation Road Refunding Bonds, Series 2005 (the “2005 GO Bonds”) (dated and issued on April 7, 2005; base CUSIP® 940195) (the “2005 GO Disclosure Undertaking”).

From December 27, 2012 through December 27, 2013 (December 27 was the covenanted due date for annual continuing disclosure submission under the 2005 GO Disclosure Undertaking), the City filed its audited financial reports but failed to provide its “annual operating and financial information” pursuant to the 2005 GO Disclosure Undertaking.

On December 27, 2014, the City filed its Fiscal Year 2014 financial report (containing the required annual operation information). *In September 2015, the 2010 GO Bonds were refunded by a \$1,802,000, General Obligation Refunding Bonds, Series 2015, issued through a direct purchase.*

THE 2017 BONDS

General

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

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

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

Estimated Sources And Uses Of Funds

The proceeds from the sale of the 2017 Bonds are estimated to be applied as set forth below:

Sources:

| | |
|--------------------------------|-------|
| Par amount of 2017 Bonds | \$ |
| Original issue premium | _____ |
| Total | \$ |

Uses:

| | |
|-------------------------------------------------|-------|
| Deposit into Construction Account | \$ |
| Costs of issuance (1)..... | |
| Original issue discount | |
| Underwriter’s discount (successful bidder)..... | _____ |
| Total | \$ |

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

Redemption Provisions

Optional Redemption. The 2017 Bonds maturing on or after June 1, 2027, are subject to redemption at the option of the City on December 1, 2026, and on any date thereafter prior to maturity, in whole or in

¹ The anticipated date of delivery is Thursday, January 26, 2017.

part, from such maturities or parts thereof as may be selected by the City, at a redemption price equal to 100% of the principal amount of the 2017 Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

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

Notice of Redemption. Notice of redemption will be given by the Bond Registrar by registered or certified mail, not less than 30 nor more than 45 days prior to the redemption date, to the owner, as of the Record Date, as defined under “THE 2017 BONDS—Registration And Transfer; Record Date” below, of each 2017 Bond that is subject to redemption, at the address of such owner as it appears on the registration books of the City kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such owner on or prior to the Record Date. Each notice of redemption will state the Record Date, the principal amount, the redemption date, the place of redemption, the redemption price and, if less than all of the 2017 Bonds are to be redeemed, the distinctive numbers of the 2017 Bonds or portions of 2017 Bonds to be redeemed, and will also state that the interest on the 2017 Bonds in such notice designated for redemption will cease to accrue from and after such redemption date and that on the redemption date there will become due and payable on each of the 2017 Bonds to be redeemed the principal thereof and interest accrued thereon to the redemption date.

Each notice of optional redemption may further state that such redemption will be conditioned upon the receipt by the 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 2017 Bonds to be redeemed and that if such moneys have not been so received the notice will be of no force or effect and the City will not be required to redeem such 2017 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the 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. Any such notice mailed will be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice. Failure to give such notice or any defect therein with respect to any 2017 Bond will not affect the validity of the proceedings for redemption with respect to any other 2017 Bond.

In addition to the foregoing notice, further notice of such redemption will be given by the 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 2017 Bonds, the Bond Registrar will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any Direct Participants or any failure of the Direct Participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the sufficiency of the notice or the validity of the redemption of 2017 Bonds. See “THE 2017 BONDS—Book-Entry System” below.

Mandatory Sinking Fund Redemption At Bidder's Option

The 2017 Bonds may be subject to mandatory sinking fund redemption at the option of the successful bidder(s). See "OFFICIAL NOTICE OF BOND SALE—Term Bonds and Mandatory Sinking Fund Redemption at Bidder's Option."

Registration And Transfer; Record Date

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

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

For every such exchange or transfer of the 2017 Bonds, the 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 2017 Bonds.

Record Date. Except as otherwise provided in a Supplemental Indenture with respect to a Series of Bonds, the Bond Registrar will not be required to transfer or exchange any 2017 Bond (a) after the Record Date, as defined below, with respect to any interest payment date to and including such interest payment date, or (b) after the Record Date with respect to any redemption of such 2017 Bond. The term Record Date means (i) with respect to each interest payment date, the day that is 15 days preceding such interest payment date, or if such day is not a business day for the Bond Registrar, the next preceding day that is a business day for the Bond Registrar, and (ii) with respect to any redemption of any 2017 Bond such Record Date as is specified by the Bond Registrar in the notice of redemption, provided that such Record Date will be not less than 15 calendar days before the mailing of such notice of redemption.

The City, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each 2017 Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner of such 2017 Bond for the purpose of payment of principal, premium and interest with respect to such 2017 Bond and for all other purposes whatsoever.

Book-Entry System

DTC will act as securities depository for the 2017 Bonds. The 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2017 Bond certificate will be issued for each maturity of the 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or a "fast agent" of DTC. See "APPENDIX E—BOOK-ENTRY SYSTEM" for a more detailed discussion of the book-entry system and DTC.

Debt Service On The 2017 Bonds

| <u>Payment Date</u> | <u>The 2017 Bonds</u> | | <u>Period Total</u> | <u>Fiscal Total</u> |
|-----------------------|-----------------------|-----------------|---------------------|---------------------|
| | <u>Principal*</u> | <u>Interest</u> | | |
| June 1, 2017..... | \$ 0.00 | \$ | \$ | |
| December 1, 2017..... | 0.00 | | | |
| June 1, 2018..... | 165,000.00 | | | |
| December 1, 2018..... | 0.00 | | | |
| June 1, 2019..... | 170,000.00 | | | |
| December 1, 2019..... | 0.00 | | | |
| June 1, 2020..... | 175,000.00 | | | |
| December 1, 2020..... | 0.00 | | | |
| June 1, 2021..... | 175,000.00 | | | |
| December 1, 2021..... | 0.00 | | | |
| June 1, 2022..... | 185,000.00 | | | |
| December 1, 2022..... | 0.00 | | | |
| June 1, 2023..... | 190,000.00 | | | |
| December 1, 2023..... | 0.00 | | | |
| June 1, 2024..... | 200,000.00 | | | |
| December 1, 2024..... | 0.00 | | | |
| June 1, 2025..... | 210,000.00 | | | |
| December 1, 2025..... | 0.00 | | | |
| June 1, 2026..... | 220,000.00 | | | |
| December 1, 2026..... | 0.00 | | | |
| June 1, 2027..... | 230,000.00 | | | |
| December 1, 2027..... | 0.00 | | | |
| June 1, 2028..... | 240,000.00 | | | |
| December 1, 2028..... | 0.00 | | | |
| June 1, 2029..... | 250,000.00 | | | |
| December 1, 2029..... | 0.00 | | | |
| June 1, 2030..... | 260,000.00 | | | |
| December 1, 2030..... | 0.00 | | | |
| June 1, 2031..... | 275,000.00 | | | |
| December 1, 2031..... | 0.00 | | | |
| June 1, 2032..... | 285,000.00 | | | |
| December 1, 2032..... | 0.00 | | | |
| June 1, 2033..... | 300,000.00 | | | |
| December 1, 2033..... | 0.00 | | | |
| June 1, 2034..... | 310,000.00 | | | |
| December 1, 2034..... | 0.00 | | | |
| June 1, 2035..... | 325,000.00 | | | |
| December 1, 2035..... | 0.00 | | | |
| June 1, 2036..... | 345,000.00 | | | |
| December 1, 2036..... | 0.00 | | | |
| June 1, 2037..... | <u>360,000.00</u> | | | |
| Totals..... | <u>\$4,870,000.00</u> | \$ | \$ | |

* Preliminary; subject to change.

SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS

General

The 2017 Bonds and any other Bonds hereafter issued pursuant to the Indenture are secured equally and ratably by a pledge of (i) the Net Revenues of the System, which is comprised of the City’s Water

System, Sewer System, Storm Water System and Refuse Collection System, and (ii) moneys in funds and accounts held by the Trustee under the Indenture (except the Rebate Fund).

“Net Revenues” means the Revenues after provision has been made for the payment therefrom of Operation and Maintenance Expenses of the System. “Revenues” means all revenues, fees, impact fees (to the extent such impact fees can be legally pledged by the City with respect to System improvements financed with Bond proceeds), income rents and receipts received or earned by the City from or attributable to the ownership and operation of the 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 municipality or company pursuant to contract or otherwise, necessary to keep the System in efficient operation condition, including cost of audits, payment of promotional and marketing expenses and real estate brokerage fees, payment of premiums for the insurance, Reserve Instrument costs and, generally all expenses, exclusive of depreciation, 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.

The 2017 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 2017 Bonds. The City will not mortgage or grant a security interest in the System to secure payment of the 2017 Bonds.

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

No Debt Service Reserve Fund For The 2017 Bonds

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

The 2017 Bonds. Upon the issuance of the 2017 Bonds there will be no funding of an account in the Debt Service Reserve Fund with respect to the 2017 Bonds.

Rate Covenant

While any of the principal of or interest on the Bonds are outstanding and unpaid, or any Reserve Instrument Repayment Obligations are outstanding, the rates including connection fees, for all services supplied by the System to the City and to its inhabitants and to all customers within or without the boundaries of the City, shall be sufficient to pay the Operation and Maintenance Expenses for the System and to provide Net Revenues for each Bond Fund Year of not less than 125% of the Aggregate Annual Debt Service Requirement for the forthcoming year, plus an amount sufficient to fund the Debt Service Reserve Fund in the time, rate and manner specified in the Indenture, or if a Reserve Instrument shall be in effect with respect to any of the Bonds Outstanding, the Reserve Instrument Repayment Obligations which the City anticipates will be due and payable for the forthcoming year (the “Rate Covenant Requirement”); provided, however, that such rates must be reasonable rates for the type, kind and character of the service rendered. The City agrees that should its annual financial statement for the prior fiscal year disclose that, during the period covered by such financial statement, the Net Revenues were not at least equal to the Rate Covenant Requirement, the City shall not be in default with respect to the foregoing covenant if, within 90 days after the date of such financial statement the City revises the schedule of rates, charges and fees insofar as is practicable and revises Operation and Maintenance Costs so as to produce Net Revenues at least equal to the Rate Covenant Requirement.

The rates and charges imposed by the City are not subject to approval or regulation by any other governmental entity or agency within the State of Utah.

Flow Of Funds

Under the Indenture, all Revenues shall be accounted for and maintained by the City in the Revenue Fund, which fund shall be kept separate and apart from all other accounts of the City and which shall be expended and used by the City only in the manner and order of priority specified below:

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

(b) As a second charge and lien on the Revenues, i.e., from the Net Revenues, the City shall, on or before the first day of each month, transfer and deposit into the Bond Fund, from the Revenue Fund, an amount equal to:

(i) approximately one-sixth (or one-twelfth in the event the Supplemental Indenture provides that interest on the Bonds authorized thereunder is payable annually instead of semiannually) of the interest falling due on the Bonds on the next succeeding interest payment date established for the Bonds, provided, however, that in the event that less than six (or twelve, if applicable) months will transpire prior to the first interest payment date following the issuance of a Series of Bonds, the City shall transfer an amount equal to a fraction the numerator of which is one and the denominator of which is the number of full months to transpire prior to such Interest Payment Date times the amount of interest falling due on the Bonds on the next succeeding interest payment date established for the Bonds; plus

(ii) approximately one-twelfth of the principal and premium and Sinking Fund Installments, if any, falling due on the next succeeding interest payment date established for the Bonds on which principal is due, provided, however, that in the event principal on a Series of Bonds is due on the first Interest Payment Date following the issuance of such Series, the City shall deposit an amount equal to a fraction the numerator of which is one and the denominator of which is the number of full months to transpire prior to such Interest Payment Date times the amount of principal and premium and Sinking Fund Installment, if any, due on such Interest Payment Date. (In lieu of monthly payments, a Supplemental Indenture may provide for semiannual payments to the Bond Fund, in which case the date of payment to the Trustee of an amount equal to the principal of, premium, if any, and interest falling due on the Bonds on the next succeeding Interest Payment Date shall be not less than 15 days prior to said Interest Payment Date.)

(c) As a third charge and lien on the Net Revenues (and, if applicable, any amounts on deposit in the Rate Stabilization Fund) (on a parity basis), the City shall make the following monthly deposits on or before the fifteenth day of each month of each year:

(i) To the extent the Debt Service Reserve Requirement is not funded with a Reserve Instrument or Instruments, to the Debt Service Reserve Fund any amounts required hereby and by any Supplemental Indenture to accumulate therein the Debt Service Reserve Requirement at the times and in the amounts provided in the Indenture and in any Supplemental Indenture, or a ratable portion (based on the amount to be transferred pursuant to Subparagraph (ii) of this Paragraph) of remaining Net Revenues if less than the amount necessary. Moneys in the Debt Service Reserve Fund shall be used only to prevent deficiencies in the payment of the principal of or interest on the Bonds resulting from a failure to deposit into the Bond Fund sufficient funds to pay debt service and Sinking Fund Installments on the Bonds. If funds shall have been withdrawn from the Debt Service Reserve Fund to pay debt service or Sinking Fund Installments, the City shall deposit Net Revenues in the Debt Service Reserve Fund sufficient in amount to restore such moneys so withdrawn within one year with 12 substantially equal payments during such one-year period.

Moneys in each account in the Debt Service Reserve Fund shall be used only to prevent deficiencies in the payment of the principal of or interest on the applicable Series of Bonds for which such account was created.

(ii) Equally and ratably to the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of such month, such amount of the remaining Net Revenues, or a ratable portion (based on the amount to be transferred pursuant to Subparagraph (i) of this Paragraph) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such monthly transfer or deposit of Net Revenues 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.

(d) As a fourth charge and lien on the Net Revenues, the City shall deposit in the Repair and Replacement Fund any amount required by the Indenture to accumulate therein the Repair and Replacement Reserve Requirement. In the event that the amount on deposit in the Repair and Replacement Fund shall ever be less than the Repair and Replacement Reserve Requirement for the Bonds then Outstanding (or, after the issuance of Additional Bonds, the amount required to be on deposit therein), from time to time, the City shall deposit to the Repair and Replacement Fund from the Revenue Fund all remaining Net Revenues of the System (and, if applicable, any amounts in the Rate Stabilization Fund) after payments required by Paragraphs (a), (b) and (c) above have been made, and other legally available moneys, until there is on deposit in the Repair and Replacement Fund an amount equal to the Repair and Replacement Reserve Requirement. Subject to the provisions of the following Paragraph, this provision is not intended to limit, and shall not limit, the right of the City to deposit additional moneys in the Repair and Replacement Fund from time to time as the City may determine. At the time of initial delivery of the 2017 Bonds, the City will not be required to fund the Repair and Replacement Fund.

(e) Subject to making the foregoing deposits, the City shall use the balance of the Net Revenues accounted for in the Revenue Fund for:

- (i) redemption of Bonds for cancellation prior to maturity by depositing the same into the Bond Fund;
- (ii) refinancing, refunding, or advance refunding of any Bonds;
- (iii) for transfer to the Rate Stabilization Fund; or
- (iv) for any other lawful municipal purpose.

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 2017 Bonds and the Outstanding Parity Bonds shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds. In addition, no Additional Bonds or other indebtedness, bonds or notes of the City payable on a parity with the 2017 Bonds and the Outstanding Parity Bonds out of Net Revenues shall be created or incurred, unless the following requirements have been met:

In addition, no Additional Bonds or other indebtedness, bonds or notes of the City payable on a parity with the Bonds herein authorized out of Net Revenues shall be created or incurred, unless the following requirements have been met:

- (a) The City has been in compliance for the most recent Fiscal Year with all covenants in the Indenture as evidenced in a certificate delivered by the City to the Trustee prior to the issuance of the Additional Bonds.

(b) In the case of Additional Bonds issued for the purpose of financing System improvements, the City shall have delivered to the Trustee a certificate:

(i) setting forth the Estimated Net Revenues (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:

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

(B) 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

(ii) verifying that the Estimated Net Revenues as shown in (1) above for each of such Bond Fund Years are projected to be not less than 125% of the Average Aggregate Debt Service 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 subsection (b), “Estimated Net Revenues” shall be determined as follows:

(A) The total Net Revenues of the System for the most recent Year immediately preceding the authentication and delivery of the Additional Bonds in which such information is available to the City 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 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 100% of the estimated additional Net Revenues as calculated in (B) above.

(c) All payments required by the Indenture to be made into the Bond Fund must have been made in full, and there must be in the Debt Service Reserve Fund the full amount required by the Indenture to be accumulated therein at such time.

(d) The proceedings authorizing the Additional Bonds must specify that the Subaccount in the Debt Service Reserve Fund relating to the Additional Bonds shall be funded in an amount no less than the Debt Service Reserve Requirement for such Series of Additional Bonds.

(e) The proceeds of the Additional Bonds must be used (i) to refund Bonds issued hereunder or other obligations of the City (including the funding of necessary reserves and the payment of costs of issuance) or (ii) to make additions, improvements, extensions, replacements or repairs to the System (including the funding of necessary reserves and the payment of costs of issuance).

(f) No Event of Default shall have occurred and be continuing under the Indenture. This Paragraph (f) shall not preclude the issuance of Additional Bonds if (i) the issuance of such Additional Bonds otherwise complies with the provisions of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of the Additional Bonds and the application of the proceeds thereof.

HISTORICAL DEBT SERVICE COVERAGE

The following table shows the past five Fiscal Years of debt service requirements for the Outstanding Parity Bonds, the historical Net Revenues and the debt service coverage amounts.

The historical information has been derived from the City's financial statements for Fiscal Years 2012 through 2016.

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Historical Debt Service Coverage of the Public Utilities Fund

Fiscal Year Ended June 30

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------------------------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| Operating revenues: | | | | | |
| Charges for services: | | | | | |
| Water..... | \$ 1,074,445 | \$ 1,114,318 | \$ 1,347,885 | \$ 1,305,469 | \$ 1,256,822 |
| Sewer..... | 902,570 | 1,055,298 | 1,137,097 | 1,143,797 | 1,100,893 |
| Refuse..... | 523,077 | 501,473 | 453,241 | 449,480 | 481,828 |
| Storm water..... | 299,953 | 328,388 | 370,951 | 396,246 | 422,626 |
| Connection and other fees..... | 8,868 | 7,985 | 11,307 | 8,560 | 11,055 |
| Total operating revenues..... | <u>2,808,913</u> | <u>3,007,462</u> | <u>3,320,481</u> | <u>3,303,552</u> | <u>3,273,224</u> |
| Operating expenses: | | | | | |
| Contractual services..... | 944,106 | 1,082,241 | 994,391 | 1,041,518 | 1,043,767 |
| Personnel services..... | 680,862 | 736,172 | 775,960 | 765,980 | 773,639 |
| Material and supplies..... | 136,950 | 203,359 | 151,746 | 422,286 | 537,092 |
| Total operating expenses..... | <u>1,761,918</u> | <u>2,021,772</u> | <u>1,922,097</u> | <u>2,229,784</u> | <u>2,354,498</u> |
| Operating income..... | <u>1,046,995</u> | <u>985,690</u> | <u>1,398,384</u> | <u>1,073,768</u> | <u>918,726</u> |
| Non-operating revenues (expenses): | | | | | |
| Gain (loss) on sale of capital assets..... | 17,702 | - | (39,347) | 59,770 | (139,952) |
| Interest income..... | 48,950 | 53,635 | 24,432 | 35,245 | 42,955 |
| Intergovernmental income..... | - | 6,045 | 189,067 | 13,247 | 113,195 |
| Impact fee income..... | - | 7,790 | 53,095 | - | 7,552 |
| Developer contributions..... | 1,302,809 | - | - | - | - |
| Total nonoperating revenues (expenses).... | <u>1,302,809</u> | <u>13,835</u> | <u>242,162</u> | <u>13,247</u> | <u>120,747</u> |
| Total revenues available for debt service..... | <u>\$ 2,349,804</u> | <u>\$ 999,525</u> | <u>\$ 1,640,546</u> | <u>\$ 1,087,015</u> | <u>\$ 1,039,473</u> |
| Debt service: | | | | | |
| 2010A Bonds..... | \$ 267,363 | \$ 268,363 | \$ 264,263 | \$ 265,163 | \$ 260,963 |
| 2010B Bonds..... | 50,205 | 50,315 | 50,389 | 50,428 | 50,431 |
| 2010C Bonds..... | 52,875 | 53,075 | 53,250 | 53,400 | 53,525 |
| Total debt service..... | <u>\$ 370,442</u> | <u>\$ 371,752</u> | <u>\$ 367,902</u> | <u>\$ 368,991</u> | <u>\$ 364,919</u> |
| Debt service coverage (1)..... | <u>6.34</u> | <u>2.69</u> | <u>4.46</u> | <u>2.95</u> | <u>2.85</u> |
| Rate covenant requirement (multiple)..... | <u>1.25</u> | <u>1.25</u> | <u>1.25</u> | <u>1.25</u> | <u>1.25</u> |

(1) Multiple of which total revenues available exceeds annual debt service on the City's utility revenue bonds.

PROJECTED DEBT SERVICE COVERAGE

Forward Looking Projected Information. The City does not as a matter of course make public projections as to future revenues, income or other results, 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 City for Fiscal Years 2017 through 2021. 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 City. 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 City or that the actual results will not differ materially from those presented in the prospective financial information. Inclusion of the prospective financial information in this OFFICIAL STATEMENT should not be regarded as a representation by any person that the results contained in the prospective financial information will be achieved.

Projected Revenues, Expenses And Debt Service Coverage

The following table is a summary of the projected Net Revenues 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 Debt Service Coverage of the Public Utilities Fund

| | Fiscal Year Ended June 30 | | | | |
|------------------------------------------------|---------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Operating revenues: | | | | | |
| Charges for services: | | | | | |
| Water..... | \$ 1,238,010 | \$ 1,253,638 | \$ 1,269,272 | \$ 1,280,913 | \$ 1,296,560 |
| Sewer..... | 1,105,353 | 1,155,370 | 1,180,387 | 1,205,403 | 1,230,421 |
| Refuse..... | 483,075 | 487,737 | 496,774 | 504,812 | 513,850 |
| Storm water..... | 423,865 | 439,500 | 455,160 | 470,846 | 486,560 |
| Connection and other fees..... | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| Total operating revenues..... | <u>3,258,303</u> | <u>3,344,245</u> | <u>3,409,593</u> | <u>3,469,974</u> | <u>3,535,391</u> |
| Operating expenses: | | | | | |
| Contractual services..... | 1,056,225 | 1,080,739 | 1,110,061 | 1,140,341 | 1,171,249 |
| Personnel services..... | 787,275 | 795,148 | 803,099 | 811,130 | 819,242 |
| Material and supplies..... | 226,633 | 231,545 | 234,816 | 237,075 | 240,328 |
| Total operating expenses..... | <u>2,070,133</u> | <u>2,107,432</u> | <u>2,147,976</u> | <u>2,188,546</u> | <u>2,230,819</u> |
| Operating income..... | <u>1,188,170</u> | <u>1,236,813</u> | <u>1,261,617</u> | <u>1,281,428</u> | <u>1,304,572</u> |
| Non-operating revenues (expenses): | | | | | |
| Gain (loss) on sale of capital assets..... | 169,063 | - | - | - | - |
| Interest income..... | 25,719 | 25,742 | 25,755 | 26,300 | 27,000 |
| Intergovernmental income..... | 10,256 | 9,704 | 9,135 | 8,548 | 7,947 |
| Impact fee income..... | 24,000 | 24,000 | 24,000 | 24,000 | 24,000 |
| Total nonoperating revenues (expenses).... | <u>229,038</u> | <u>59,446</u> | <u>58,890</u> | <u>58,848</u> | <u>58,947</u> |
| Total revenues available for debt service..... | <u>\$ 1,417,208</u> | <u>\$ 1,296,259</u> | <u>\$ 1,320,507</u> | <u>\$ 1,340,276</u> | <u>\$ 1,363,519</u> |
| Debt service: | | | | | |
| 2010A Bonds..... | \$ 260,713 | \$ 264,800 | \$ 263,050 | \$ 272,700 | \$ 265,200 |
| 2010B Bonds..... | 50,399 | 50,331 | 50,227 | 50,088 | 49,913 |
| 2010C Bonds..... | 53,625 | 53,700 | 53,750 | 53,775 | 53,775 |
| 2017 Bonds (1)..... | 57,313 | 328,750 | 325,450 | 327,150 | 328,750 |
| Total debt service..... | <u>\$ 422,050</u> | <u>\$ 697,581</u> | <u>\$ 692,477</u> | <u>\$ 703,713</u> | <u>\$ 697,638</u> |
| Debt service coverage (2)..... | <u>3.36</u> | <u>1.86</u> | <u>1.91</u> | <u>1.90</u> | <u>1.95</u> |
| Rate covenant requirement (multiple)..... | <u>1.25</u> | <u>1.25</u> | <u>1.25</u> | <u>1.25</u> | <u>1.25</u> |

(1) Preliminary; subject to change. Interest has been estimated at an average interest rate of 3.50%.

(2) Multiple of which total revenues available exceeds annual debt service on the City's Bonds.

For the City’s presentation of Pledged Revenue Coverage for the last 10 Fiscal Years see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016—Statistical Section—Debt Capacity—Pledged Revenue Coverage” (page A-101).

THE 2017 PROJECT

The 2017 Project consists of the construction of a new public works facility complex to replace the existing facility (the “2017 Project”). Services and programs managed at the facility include: culinary water delivery, sanitary sewer collection, storm water collection detention, refuse collection and disposal, and operations and maintenance of streets and sidewalks, parks and open space and public buildings.

The 2017 Project includes the acquisition of approximately 5.25 acres of land and the construction of four buildings with asphalt surface parking improvements. The buildings will be constructed of metal with steel framing and concrete foundation and include: (i) an approximate 21,320 square foot main utility building with 5,000 square feet of office and 16,320 square feet of public works maintenance area; (ii) an approximate 9,000 square foot building for heavy maintenance equipment; (iii) an approximate 2,700 square foot building for storage; and (iv) an approximate 1,800 square foot building for the storage of salt projects.

Total cost of the 2017 Project is \$5,000,000. Construction of the buildings are expected to begin in Spring 2017 with completion of the 2017 Project in October 2017.

THE SYSTEM

General

The City owns and operates a water system (the “Water System”), a storm water drainage system (the “Storm Water System”), a sewer system (the “Sewer System”) and a refuse collection system (the “Refuse Collection System”), which collectively comprise the “System.” The Net Revenues generated from the operation of the System are pledged to pay principal of and interest on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS.” Set forth below is a description of the System.

The Water System is a culinary Water System consisting of two wells, a connection to South Ogden City water (“South Ogden City Water”) and two connections to Weber Basin Water Conservancy District’s (“WBWCD”) water system, two one-million-gallon reservoirs, and approximately 26 miles of piping. The Water System serves approximately 2,725 homes and 162 commercial connections. See “THE SYSTEM—The Water System” herein.

The Sewer System consists of approximately 26 miles of sewer collectors and transmission pipes. The City contracts with Central Weber Sewer Improvement District for sewer treatment services. The Sewer System serves approximately 2,700 residential connections and 142 commercial connections. See “THE SYSTEM—The Sewer System” herein.

The Refuse Collection System consists of the City’s ownership of approximately 2,920 general use trash receptacles and 2,420 recycle receptacles. The City contracts with a private contractor for weekly garbage pickup and trash disposal services. See “THE SYSTEM—The Refuse Collection System” herein.

The Storm Water System consists of approximately 28 miles of curb and gutter, 22 miles of storm water collection and trunk line facilities with attendant catch basins, and 10 city-owned/maintained deten-

tion basins with a total volume of approximately 6.9 acre–feet or 2.2 million gallons. The Storm Water System services all of the area within the City boundaries.

Water System

Facilities. The Water System consists of two wells; a metered connection to South Ogden City Water; two metered connections to WBWCD; two one–million gallon storage tanks; and approximately 26 miles of piping. Storage is also obtained indirectly from South Ogden City Water storage capacity by virtue of the metered connection.

Sources and Supplies of Culinary Water. Wells. The City has two wells (one producing and one non–producing). In 2011, the City entered into an agreement with WBWCD regarding the City’s producing well, whereas WBWCD will extract, improve and use this water for the secondary water needs (or culinary needs) for City residents (those who are customers of WBWCD and use secondary water within the City). The City receives a minimum of \$30,000 per year (and received approximately \$50,000 in Fiscal Year 2015) from WBWCD for the purchase and use of this water. The other non–producing well of the City is currently only being used in case of emergency and will need additional improvements and upgrades to bring this non–working well into production. The City has the water rights associated with the Water System wells. The Water System wells are not connected to the City’s water distribution system.

Weber Basin Water Conservancy District. Currently, all of the City’s culinary water is purchased through WBWCD. WBWCD is a water conservancy district and operates primarily as a wholesale provider of water to various cities, water companies and improvement districts that serve approximately 635,000 persons in a five–county area in northern Utah, including the City. WBWCD has total usable storage capacity (total capacity less dead storage and conservation pool) in various reservoirs of 388,295 acre–feet. Of this total, approximately 213,474 acre–feet are available for sale. The 174,821 acre–feet of storage capacity not sold helps assure a reliable water supply to the WBWCD customers. An additional estimated 59,736 acre–feet are available from deep wells and stock in various water companies for a total of 273,210 acre–feet of water available for sale. Approximately 224,166 acre–feet are currently under contract, leaving 49,044 acre–feet left to be sold. Through water exchanges, WBWCD can deliver virtually any of its water to any location within WBWCD, including the City.

The City purchases water from WBWCD. The water purchase agreement with WBWCD began in 1990 with no expiration date. Under the contract the City will take water from WBWCD as long as water is available from WBWCD to purchase. The City has the opportunity to purchase additional water from WBWCD if needed. Pursuant to the water purchase agreement, WBWCD has agreed to sell and deliver and the City has agreed to buy annually not less than the following amounts of water:

| <u>Fiscal Year</u> | <u>Minimum Amount (in Acre Feet)</u> | |
|---------------------------|--------------------------------------|---------------------------------|
| | <u>WBWCD</u> | <u>% Change From Prior Year</u> |
| 2016 and thereafter | 1,000 | 0% |
| 2015 | 1,000 | 0 |
| 2014 | 1,000 | 0 |
| 2013 | 1,000 | 0 |
| 2012 | 1,000 | 0 |

(Source: The City.)

The following table sets forth the total water purchased, cost of purchased water and total water usage (per acre feet) of the City and the for following Fiscal Years:

| Calendar Year | Water Purchased/Cost/Water Usage (in acre feet) | | | | | |
|---------------|-------------------------------------------------|--------------------------|-----------|--------------------------|-------------|--------------------------|
| | Purchased from WBWCD | % Change From Prior Year | Cost | % Change From Prior Year | Water Usage | % Change From Prior Year |
| 2016 (1)..... | 1,000 | 0% | \$180,650 | 4.5% | 649 | (9.0)% |
| 2015 | 1,000 | 0 | 172,825 | 1.8 | 713 | (5.9) |
| 2014 | 1,000 | 0 | 169,735 | 3.0 | 758 | (0.7) |
| 2013 | 1,000 | 0 | 164,825 | 1.4 | 763 | (0.3) |
| 2012 | 1,000 | 0 | 162,610 | – | 765 | – |

(1) Water usage from January 2016 through September 2016.

(Source: The City.)

The Water System serves approximately 2,725 residential connections and 162 commercial connections. Each connection is metered and read monthly by City personnel.

Water Storage. In addition to the City’s two one–million gallon water storage tanks, the City, in 2001 entered into a 25–year contract with South Ogden City, Utah (located adjacent to the City) to allow the City to purchase water storage capacity and wheeling rights in South Ogden City’s existing water infrastructure for the purpose of meeting the City’s current and future water storage needs for fire suppression and indoor use. Over the past five Fiscal Years this annual storage/transportation costs were within the range of \$2,700 to \$7,200 per year.

Capacity and Demand. Water Usage. The following table shows the existing capacity and demand with respect to the Water System.

| Utility Description | Existing Capacity | Existing Demand | Excess Capacity |
|---------------------------------------|-------------------|-----------------|-----------------|
| Culinary water storage..... | 3.0 MG | 0.75 MB | 2.250 MG/day |
| Culinary water distribution (1) | 1.3 MG/day | 0.752 MG/day | 0.540 MG/day |
| Culinary water distribution (2) | 1.3 MG/day | 1.163 MG/day | 0.137 MG/day |

(1) Average use. (2) Peak use.

(Source: The City.)

Water Distribution. Water is supplied to the City by three water meters. There are also several Pressure Reducing Valve Stations on the system which divide the City into three pressure zones. The first meter is connected to South Ogden City Water and provides water to the upper pressure zone (Zone A). A hospital meter is connected to WBWCD and provides water to the middle pressure zone (Zone B). The 500 West meter is connected to WBWCD and provides water to the lowest pressure zone (Zone C).

Secondary Water/Irrigation Water. City residents are supplied with secondary water from WBWCD or the Pineview Water System. *The City has no involvement with the secondary water system.* The secondary distribution water system is owned and maintained by WBWCD or Pineview Water System.

Water Rights, Licenses, Permits and Approvals. The City believes that present water supplies are adequate for the foreseeable future. The City reports that it has obtained all necessary state and local licenses, permits and approvals to operate the Water System.

Water Connections. The following table shows the number of water connections for the Fiscal Years shown:

| <u>Fiscal Year</u> | <u>Residential Connections</u> | <u>Commercial Connections</u> | <u>Total Connections</u> | <u>% Change From Prior Year</u> |
|--------------------|--------------------------------|-------------------------------|--------------------------|---------------------------------|
| 2016 | 2,765 | 162 | 2,927 | 0.1% |
| 2015 | 2,762 | 162 | 2,924 | 0.1 |
| 2014 | 2,760 | 160 | 2,920 | 0.1 |
| 2013 | 2,758 | 160 | 2,918 | 0.1 |
| 2012 | 2,756 | 160 | 2,916 | – |

(Source: The City.)

Major Water Users. The major users of the Water System for Fiscal Year 2016 are as follows:

| <u>User</u> | <u>Gallons Used</u> | <u>Billing Revenues</u> | <u>% of Total Revenue (1)</u> |
|----------------------------------------------------|---------------------|-------------------------|-------------------------------|
| Lake Park Apartments..... | 5,903,400 | \$ 33,006 | 2.6% |
| Ogden Regional Medical Center..... | 11,742,050 | 31,332 | 2.5 |
| Washington Terrace Nursing Center..... | 5,471,900 | 30,811 | 2.5 |
| PFI Investments (housing)..... | 4,763,070 | 26,878 | 2.1 |
| Weber County School District (all facilities)..... | 4,607,740 | 24,281 | 1.9 |
| Mt. Ogden Health and Rehabilitation | 3,643,590 | 20,166 | 1.6 |
| Washington House Assisted Living..... | 1,993,200 | 11,189 | 0.9 |
| Maverick Store..... | 2,737,950 | 8,215 | 0.7 |
| University of Utah (branch campus)..... | 1,401,500 | 7,811 | 0.6 |
| Kara Manor Apartments | <u>1,393,740</u> | <u>7,639</u> | 0.6 |
| Totals | <u>43,658,140</u> | <u>\$201,328</u> | 16.0% |

(1) Total Water System revenues for the Fiscal Year 2016 was \$1,256,822.

(Source: The City.)

Water System Rates. The City bases its water rates on the amount of use of the water by the customer. The City charges monthly water rate fees to single-family, duplex and tri-plex connections. For commercial connections the monthly water fees are based on size of the connected water line. For Fiscal Year 2017, the City charges a single-family connection at \$18.20 for 4,000 gallons and any gallon usage above 4,000 gallons at \$5.10 per 1,000 gallons. For commercial connections the City charges (for a ¾ inch connection) \$20.50 per 1,000 gallons and any gallon usage above 4,000 gallons at \$5.70 per 1,000 gallons. The City reviews water rate charges each Fiscal Year. The last water rate increase for residential and commercial connections occurred in Fiscal Year 2017.

The City has full and independent power under the laws of the State of Utah to establish revenue levels and rate design for water service provided by the City. The City is not subject to rate regulation by any state or federal regulatory body, and is empowered to set rates effective at any time. See “SECURITY AND SOURCES OF PAYMENT OF THE 2017 BONDS—Rate Covenant.”

Total water usage and total water sales of the Water System for the past five Fiscal Years is as follows:

| <u>Fiscal Year</u> | <u>Total Water Sales</u> | <u>% Change From Prior Year</u> |
|--------------------|--------------------------|---------------------------------|
| 2016..... | \$1,256,822 | (3.7)% |
| 2015..... | 1,305,469 | (3.1) |
| 2014..... | 1,347,885 | 21.0 |
| 2013..... | 1,114,318 | 3.7 |
| 2012..... | 1,074,445 | 5.5 |

(Source: The City.)

Impact Fees. Under Utah law, a municipality is allowed to impose impact fees in connection with operation of utilities. “Impact fees” are defined to mean a payment of money imposed upon development activity as a condition of development approval. The impact fee must be a reasonable charge for the facilities provided. Before imposing an impact fee, a municipality must establish a capital facilities plan that identifies, among other things, the demands placed upon existing public facilities by new development activity. Municipalities may only expend impact fees for (i) system improvements identified in the capital facilities plan, (ii) system improvements for the specific public facility type for which the fee was collected, or (iii) debt service on obligations used to finance such system improvements. The impact fees cannot be used to pay operation and maintenance expenses of the related public facility.

For Fiscal Year 2017, based on the size of the water connection, the City can charge a minimum amount of \$884 and up to a maximum amount of \$1,617 for a one-inch service connection. With other connections above one-inch, the City can charge a minimum amount of \$1,440 and up to a maximum amount of \$165,002.

Sewer System

General. The Sewer System consists of approximately 26 miles of sewer collectors and transmission pipes. The Sewer System is connected to the Central Weber Sewer Improvement District’s (the “CWSID”) sewer system through three connections similar to those of the Water System pressure zones. The City owns and maintains the Sewer System facilities, but all other sewer treatment services are provided to the City on a wholesale basis by the CWSID pursuant to a Treatment Contract (defined below) between the City and CWSID. The City establishes and charges retail sewer service rates to customers of the Sewer System. The Sewer System generally serves the same homes and businesses as the Water System, with the exception of a negligible portion of City residents who are on septic systems.

Capacity and Demand. The following table shows the existing capacity and demand with respect to the Sewer System.

| <u>Existing Capacity</u> | <u>Existing Demand</u> | <u>Excess Capacity</u> |
|--------------------------|------------------------|------------------------|
| 4.0 MG/day | 1.047 MG/day | 2.953 MG/day |

(Source: The City.)

Certain Sewer System Expenses. Approximately 88% of the Operation and Maintenance Expenses of the Sewer System consist of treatment fees paid to the CWSID. In 2009, the CWSID entered into long-term Wholesale Wastewater Treating Contracts (collectively, the “Treatment Contracts”) with the City and each of CWSID’s 15 other customers (the “District Customers”), which formalized the CWSID’s historical arrangements with the District Customers. Pursuant to the Treatment Contracts, the CWSID charg-

es the District Customers fees sufficient to provide for the CWSID’s total operating costs, to the extent that such costs are not provided for through property taxes, impact fees, or other revenues of the CWSID. Fifty percent of such costs are allocated to the District Customers based on the taxable value of property within the boundaries of the District Customers’ service areas, and the other 50% is allocated based on the population of the District Customers’ service areas. See “HISTORICAL DEBT SERVICE COVERAGE” above.

Licenses, Permits, Approvals and Environmental Regulations. The City reports that it holds all licenses, permits and approvals necessary for the operation of the Sewer System, and that the Sewer System is in compliance with all environmental regulations.

Sewer Connections. The following table shows the number of sewer connections for the Fiscal Years shown:

| <u>Fiscal Year</u> | <u>Residential Connections</u> | <u>Commercial Connections</u> | <u>Total Connections</u> | <u>% Change From Prior Year</u> |
|--------------------|--------------------------------|-------------------------------|--------------------------|---------------------------------|
| 2016 | 2,746 | 153 | 2,899 | 0.1% |
| 2015 | 2,743 | 153 | 2,896 | 0.5 |
| 2014 | 2,732 | 151 | 2,883 | 0.1 |
| 2013 | 2,730 | 151 | 2,881 | 0.1 |
| 2012 | 2,728 | 151 | 2,879 | – |

(Source: The City.)

Major Sewer Users. The major users of the Sewer System for Fiscal Year 2016 are as follows:

| <u>User</u> | <u>Gallons Charged</u> | <u>Billing Revenues</u> | <u>% of Total Revenue (1)</u> |
|----------------------------------------------------|------------------------|-------------------------|-------------------------------|
| Lake Park Apartments..... | 5,903,400 | \$ 32,530 | 3.0% |
| Washington Terrace Nursing Center..... | 5,471,900 | 31,373 | 2.8 |
| Ogden Regional Medical Center..... | 11,742,050 | 30,800 | 2.8 |
| Weber County School District (all facilities)..... | 5,402,740 | 28,202 | 2.6 |
| PFI Investments (housing) | 4,763,070 | 26,495 | 2.4 |
| Mt. Ogden Health and Rehabilitation | 3,643,590 | 19,872 | 1.8 |
| Washington House Assisted Living..... | 1,993,200 | 11,029 | 1.0 |
| University of Utah (branch campus)..... | 1,401,500 | 7,698 | 0.7 |
| Kara Manor Apartments | 1,393,740 | 7,526 | 0.7 |
| Maverick Store..... | <u>2,737,950</u> | <u>4,453</u> | 0.4 |
| Totals | <u>44,453,140</u> | <u>\$199,978</u> | 18.2% |

(1) Total Sewer System revenues for the Fiscal Year 2016 was \$1,100,893.

(Source: The City.)

Rates and Charges. The City bases its sewer rates on the amount water usage by the customer. The City charges monthly sewer rate fees to single-family, duplex and tri-plex connections. For commercial connections the monthly water fees are based on size of the connected water line. For Fiscal Year 2017, the City charges a single-family connection at \$18.10 for 4,000 gallons and any gallon usage above 4,000 gallons at \$5.03 per 1,000 gallons. For commercial connections the City charges (for a ¾ inch connection) \$20.35 per 1,000 gallons and any gallon usage above 4,000 gallons at \$5.63 per 1,000 gallons. The City reviews sewer rate charges each Fiscal Year. The last sewer rate increase for residential and commercial

connections occurred in Fiscal Year 2017. The City is not subject to rate regulation by any state or federal regulatory body, and is empowered to set rates effective at any time.

The following table sets forth the charges for the Sewer System for following Fiscal Years:

| <u>Fiscal Year</u> | <u>Sewer Service Charges</u> | <u>% Change From Prior Year</u> |
|--------------------|------------------------------|---------------------------------|
| 2016..... | \$1,100,893 | (3.8)% |
| 2015..... | 1,143,797 | 8.4 |
| 2014..... | 1,055,298 | (7.2) |
| 2013..... | 1,137,097 | 26.0 |
| 2012..... | 902,570 | 3.6 |

(Source: The City.)

Impact Fees. For Fiscal Year 2017, based on the size of the water connection, the City can charge a minimum amount of \$207 and up to a maximum amount of \$533 for a one–inch service connection. With other connections above one–inch, the City can charge a minimum amount of \$328 and up to a maximum amount of \$54,367.

Storm Water System

General. The City began collecting a storm water service fee in July 2003. The fee was needed to cover expenses incurred by federal and state regulatory requirements for small Municipal Separate Storm Sewer Systems (MS4). It supported the development of detention basins to control flooding and improve runoff water quality, the development of a Storm Water Management Plan (“SWMP”), construction site runoff inspections, and general permit compliance. Both surface and subsurface storm water conveyance systems were in place for flood control at many locations prior to 2003.

The Storm Water System consists of approximately 28 miles of curb and gutter, 22 miles of storm water collection and trunk line facilities with attendant catch basins, and 10 city–owned/maintained detention basins with a total volume of approximately 6.9 acre–feet or 2.2 million gallons. There are, in addition, dozens of privately owned/maintained detention basins located throughout the City, and every new commercial, public, and retail facility is required to provide storm water detention/retention facilities to mitigate flooding and pollution (there are no retention basins at present). The Storm Water System services all of the area within the City boundaries.

Storm water is conveyed and collected by gravity flow only. There are no combined storm/sewer lines in the City. A few areas discharge foundation and rain gutter drainage to the storm water collection system. Pipe sizes range from 12” diameter at some catch basins to 60” diameter at one detention basin. Pipe sizes predominantly range from 18” to 36” in diameter. The system is comprised mainly of reinforced concrete pipe with some concrete pipe. Recent construction standards allow PVC sewer lines also. Storm water drainage lines are typically buried to a depth of 4 feet.

Licenses, Permits and Approvals. The City reports that the City holds all licenses, permits and approvals necessary for the operation of the Storm Water System.

Major Storm Water Users. The major users of the Storm Water System for Fiscal Year 2016 are as follows:

| User | Billings | % of Total Revenue (1) |
|----------------------------------------------------|-----------------|------------------------|
| Weber County School District (all facilities)..... | \$38,502 | 9.1% |
| Ogden Regional Medical Center..... | 6,624 | 1.6 |
| PFI Investments (housing)..... | 5,382 | 1.3 |
| Lake Park Apartments..... | 4,306 | 1.0 |
| Washington House Assisted Living..... | 3,643 | 0.9 |
| Mt. Ogden Health and Rehabilitation..... | 3,312 | 0.8 |
| Washington Terrace Nursing Center..... | 2,732 | 0.6 |
| Kara Manor Apartments..... | 2,070 | 0.5 |
| University of Utah (branch campus)..... | 1,242 | 0.3 |
| Maverick Store..... | <u>1,076</u> | 0.3 |
| Totals..... | <u>\$68,889</u> | 16.3% |

(1) Total Storm Water System revenues for the Fiscal Year 2016 was \$422,626.

(Source: The City.)

Rates and Charges. The City presently charges a monthly fee for storm water service of \$7.15 per equivalent residential unit (“ERU”). An ERU represents a typical single-family residence of 2,800 square feet of impervious surface. Industrial and commercial connections generally represent multiple ERUs. The following table shows the monthly storm water service charge and number of ERUs in the City for the following Fiscal Years:

| Fiscal Year | Approximate ERUs | Monthly Service Charge | Total Storm Water Charges | % Change From Prior Year |
|-------------|------------------|------------------------|---------------------------|--------------------------|
| 2016 | 57,862 | \$6.90 | \$422,626 | 6.7% |
| 2015 | 60,317 | 6.65 | 396,246 | 6.8 |
| 2014 | 56,490 | 6.25 | 370,951 | 13.0 |
| 2013 | 56,460 | 5.75 | 328,388 | 9.5 |
| 2012 | 56,460 | 5.25 | 299,953 | 5.6 |

(Source: The City.)

Impact Fees. The City charges storm water system impact fees of \$535 per single-family dwelling, and \$0.121 per square foot for unique residential and commercial/manufacturing buildings.

Refuse Collection System

General. The Refuse Collection System consists of the City’s ownership of approximately 2,980 trash receptacles. The City contracts with a private contractor, Allied Waste, for weekly garbage pickup and disposal services for both residential and commercial customers. Allied Waste disposes of the waste at the Weber County Transfer Station.

Contract. The City entered into a contract with the Allied Waste in May 2008 (the “Waste Service Contract”). Allied Waste provides for the City to pay collection fees based on a per-container charge, with annual adjustments for cost of operations and inflation, and subject to an annual increase cap of 3%. Disposal fees are paid directly to the Weber County Transfer Station. The current term of the Allied Waste service contract expires in June 2018.

Rates and Charges. The City presently charges \$13.70 per month for a general waste receptacle and a recycling receptacle per residence, and \$13.70 per month for each additional general waste receptacle. The following table shows the total refuse service charges for the following Fiscal Years.

| <u>Fiscal Year</u> | <u>Total Refuse Service Charges</u> | <u>% Change From Prior Year</u> |
|--------------------|-------------------------------------|---------------------------------|
| 2016..... | \$481,828 | 7.2% |
| 2015..... | 449,480 | (0.8) |
| 2014..... | 453,241 | (9.6) |
| 2013..... | 501,473 | (4.1) |
| 2012..... | 523,077 | (0.4) |

(Source: The City.)

Licenses, Permits and Approvals. The City reports that the City and the Waste Service Provider holds all licenses, permits and approvals necessary for the operation of the Refuse Collection System.

Billing And Collection

The City employs a combined billing statement for all of the utility services it provides: water, sewer, storm water, and refuse collection. Customers’ accounts are due on the 28th of each month. Customers who do not pay the full amount of the bill within 10 days after the 28th are subject to a \$15 late fee and the account is considered delinquent.

Each utility account not paid in full by the 28th of the month is considered delinquent and the delinquent customer is provided a delinquent notice requiring payment in full within 14 days of the date of the notice. In the event that payment in full is not received within the due date on the delinquent notice, the customer services will be discontinued for nonpayment if payment is not received by the City. Customers are invited to contact the City staff to arrange a deferred payment plan which may be approved by the City. Services terminated for non-payment are not reinstated until the past due payment and reconnect fees and \$100 deposit, if applicable, is received by the City. If services are terminated, the delinquent account owed consists of a \$30 reconnect fee to reimburse the City for the professional services necessary to reinstate the utility service and a one-time \$100 deposit to be held on the account for a minimum of two years. A deferred payment plan may be entered with a delinquent customer, provided that the deferred payment plan consists of paying the past due amount by the last day of the month. A customer may make deferred payments with the City Treasurer in the event of unforeseen circumstances such as a major water leak which the customer must pay the specified payment every two weeks and does not exceed six months. Customers who do not comply with the terms of an executed deferred payment plan, are subject to termination of service without notice. Service terminated after default on a deferred payment plan shall not be reinstated until full payment and fees of the total delinquent amount is paid to the City. If a customer fails to make payment the account will then be sent through a property tax lien process under State law.

For Fiscal Year 2016, the City collected an average of 80% of utility fees payable to the City within 30 days after the due date, 94% by 60 days after the due date, and 99% by 90 days after the date.

Capital Facilities Plan; Future System Projects

The City maintains a capital facilities plan (the “Capital Facilities Plan”) that provides a comprehensive assessment of new and existing facilities through build-out. A review of this plan is conducted annually and modified changes to capital needs become necessary. The majority of the System improvements provided for in the Capital Facilities Plan will be funded by user fees, impact fees, grants, or installed by developers. After the issuance of the 2017 Bonds, the City does not anticipate issuing new debt to address these capital needs through Fiscal Year 2021.

Historical Five-Year Financial Summaries Of The System

The summaries contained herein regarding the System were extracted from the City's financial statements for Fiscal Years 2012 through 2016. The summaries themselves have not been audited. See "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016."

The City's annual financial statement for Fiscal Year 2017 must be completed under State law by November 30, 2017.

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City of Washington Terrace, Utah

Statement of Net Position—Proprietary Fund—Enterprise Fund

Public Utilities Fund

(This summary has not been audited)

| | As of June 30 | | | | |
|----------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents..... | \$ 5,996,480 | \$ 5,672,759 | \$ 4,521,593 | \$ 3,269,204 | \$ 2,857,667 |
| Accounts receivable, net..... | 278,913 | 316,361 | 306,894 | 313,379 | 256,881 |
| Prepays..... | 140,393 | 86,413 | 94,309 | 91,856 | 90,746 |
| Cash—restricted..... | 55,023 | 49,633 | 304,917 | 699,942 | 689,784 |
| Investments..... | – | 42,313 | 282,330 | – | – |
| Due from other governmental units... | – | – | – | 9,700 | 16,298 |
| Total current assets..... | 6,470,809 | 6,167,479 | 5,510,043 | 4,384,081 | 3,911,376 |
| Noncurrent assets: | | | | | |
| Infrastructure..... | 13,646,562 | 15,141,356 | 15,141,356 | 13,078,005 | 12,951,658 |
| Machinery and equipment..... | 1,193,893 | 1,169,703 | 1,182,215 | 1,126,082 | 1,092,302 |
| Land..... | 116,813 | 116,813 | 116,813 | 116,813 | 116,813 |
| Buildings..... | 1,267,343 | 11,364 | 11,364 | 11,364 | 11,364 |
| Construction work in progress..... | 27,885 | 8,974 | – | 158,003 | 85,567 |
| Bond issuance costs..... | – | – | – | – | 133,177 |
| Less: accumulated depreciation..... | (4,970,692) | (4,897,218) | (4,556,425) | (4,195,310) | (3,853,795) |
| Total noncurrent assets..... | 11,281,804 | 11,550,992 | 11,895,323 | 10,294,957 | 10,537,086 |
| Total assets..... | <u>\$17,752,613</u> | <u>\$17,718,471</u> | <u>\$17,405,366</u> | <u>\$14,679,038</u> | <u>\$14,448,462</u> |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Bonds payable..... | \$ 291,547 | \$ 285,600 | \$ 282,058 | \$ 265,956 | \$ 264,000 |
| Accounts payable..... | 31,559 | 71,916 | 42,752 | 205,747 | 163,229 |
| Accrued liabilities..... | 58,996 | 59,509 | 62,230 | – | – |
| Capital lease payable..... | – | – | 18,039 | 16,767 | 16,767 |
| Total current liabilities..... | 382,102 | 417,025 | 405,079 | 488,470 | 443,996 |
| Noncurrent liabilities: | | | | | |
| Bonds payable..... | 2,003,421 | 2,307,735 | 2,603,696 | 3,066,405 | 3,227,000 |
| Capital lease payable..... | – | – | 9,270 | 27,932 | 44,699 |
| Unamortized bond premium..... | – | – | – | – | 118,532 |
| Total noncurrent liabilities..... | 2,003,421 | 2,307,735 | 2,612,966 | 3,094,337 | 3,390,231 |
| Total liabilities..... | 2,385,523 | 2,724,760 | 3,018,045 | 3,582,807 | 3,834,227 |
| Net position: | | | | | |
| Net investment in capital assets..... | 8,986,836 | 8,957,657 | 9,268,778 | 6,962,596 | 7,046,086 |
| Unrestricted..... | 6,343,731 | 6,006,221 | 4,836,916 | 4,133,635 | 3,568,149 |
| Restricted for: | | | | | |
| Debt service..... | 36,523 | 29,833 | 31,187 | – | – |
| Capital projects..... | – | – | 250,440 | – | – |
| Total net position..... | 15,367,090 | 14,993,711 | 14,387,321 | 11,096,231 | 10,614,235 |
| Total liabilities and net position.... | <u>\$17,752,613</u> | <u>\$17,718,471</u> | <u>\$17,405,366</u> | <u>\$14,679,038</u> | <u>\$14,448,462</u> |

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

City of Washington Terrace, Utah

Statement of Revenues, Expenditures, and Changes in Fund Net Position

Proprietary Fund—Business-type Activities—Enterprise Fund

Public Utilities Fund

(This summary has not been audited)

| | Fiscal Year Ended June 30 | | | | |
|-------------------------------------------------------------|---------------------------|--------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Operating revenues: | | | | | |
| Charges for services: | | | | | |
| Water..... | \$ 1,256,822 | \$ 1,305,469 | \$ 1,347,885 | \$ 1,114,318 | \$ 1,074,445 |
| Sewer..... | 1,100,893 | 1,143,797 | 1,137,097 | 1,055,298 | 902,570 |
| Refuse..... | 481,828 | 449,480 | 453,241 | 501,473 | 523,077 |
| Storm water..... | 422,626 | 396,246 | 370,951 | 328,388 | 299,953 |
| Connection and other fees: | | | | | |
| Water..... | 5,822 | 4,280 | 7,667 | 4,485 | 5,455 |
| Sewer..... | 5,233 | 4,280 | 3,640 | 3,500 | 3,413 |
| Total operating revenues..... | 3,273,224 | 3,303,552 | 3,320,481 | 3,007,462 | 2,808,913 |
| Operating expenses: | | | | | |
| Contractual services..... | 1,043,767 | 1,041,518 | 994,391 | 1,082,241 | 944,106 |
| Personnel services..... | 773,639 | 765,980 | 775,960 | 736,172 | 680,862 |
| Material and supplies..... | 537,092 | 422,286 | 151,746 | 203,359 | 136,950 |
| Depreciation expense..... | 409,873 | 409,043 | 390,845 | 341,513 | 280,679 |
| Total operating expenses..... | 2,764,371 | 2,638,827 | 2,312,942 | 2,363,285 | 2,042,597 |
| Operating income..... | 508,853 | 664,725 | 1,007,539 | 644,177 | 766,316 |
| Nonoperating revenue (expense): | | | | | |
| Intergovernmental income..... | 113,195 | 13,247 | 189,067 | 6,045 | - |
| Gain (loss) on sale of capital assets..... | (139,952) | 59,770 | (39,347) | - | 17,702 |
| Interest income..... | 42,955 | 35,245 | 24,432 | 53,635 | 48,950 |
| Impact fee income..... | 7,552 | - | 53,095 | 7,790 | - |
| Developer contributions..... | - | - | - | - | 1,302,809 |
| Interest expense..... | (68,984) | (75,492) | (102,382) | (96,473) | (113,289) |
| Total nonoperating revenues (expenses)..... | (45,234) | 19,523 | (64,202) | (35,048) | 1,256,172 |
| Income (loss) before capital contributions and transfers... | 463,619 | 684,248 | 943,337 | 609,129 | 2,022,488 |
| Transfers in /(out)..... | (90,240) | (91,106) | (90,538) | - | - |
| Change in net position..... | 373,379 | 593,142 | 852,799 | 609,129 | 2,022,488 |
| Net position, beginning, restated..... | 14,993,711 | 14,387,322 | 13,345,455 | 10,481,057 | 8,591,747 |
| Net position, ending..... | \$15,367,090 | \$14,980,464 | \$14,198,254 | \$11,090,186 | \$10,614,235 |

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

THE CITY OF WASHINGTON TERRACE, UTAH

General

The City, incorporated in December 1958, covers an area of approximately two square miles and is located in southern portion of the County. The City is situated between two of the State’s population centers—Salt Lake City, Utah (30 miles to the south) and Ogden City (one mile to the north). The U.S. Census Bureau estimates the 2015 population is approximately 9,157. The City maintains a Web site at <http://www.washingtonterracecity.com>. For the contact person for the City see “INTRODUCTION—Contact Persons” above.

It is estimated by the City that the City has reached 80% of its full “built out” of residential land and 80% of its commercial land where there is no available undeveloped land to be built upon.

For additional various operating statistical information regarding the City’s fire and police protection; water, sewer, refuse services; parks and recreation; business licenses; and capital assets see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016—Statistical Section—Operating Information—Operating Indicators by Function Last Ten Fiscal Years” (page A-108); and “—Capital Assets by Function” (page A-109).

Form Of Government

State statutes detail the functions to be performed by Utah municipalities. Title 10, Utah Code generally sets out laws to provide for the incorporation, organization, and classification of cities and towns in proportion to population. The City is a fifth class city. Cities of the fifth class, such as the City, are those with fewer than 10,000 and more than 1,000 inhabitants. State law allows cities of the fifth class to choose government either by mayor and city council or by mayor, council and city manager. The City is governed by six-member Council, with a non-voting Mayor. Council members serve four-year terms. The Mayor, who is elected at large by voters for a four-year term, chairs the city council and votes only to break a tie. The Mayor has certain statutory, legislative, judicial and ex-officio powers. City Manager powers are governed by an ordinance or resolution passed by the City Council. The City Council is charged with the responsibility of performing the legislative functions of the City.

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

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

| <u>Office</u> | <u>Person</u> | <u>Years of Service</u> | <u>Expiration of Office</u> |
|---------------------|---------------|-------------------------|-----------------------------|
| Mayor | Mark C. Allen | 17 | January 2018 |
| Council Chair | Scott Monsen | 9 | January 2020 |
| Council Member..... | Scott Barker | 2 | January 2018 |
| Council Member..... | Blair Brown | 2 | January 2018 |
| Council Member..... | Robert Jensen | 7 | January 2020 |
| Council Member..... | Val Shupe | 7 | January 2020 |

| Office | Person | Years of Service | Expiration of Office |
|------------------------|-------------------|---------------------|-------------------------|
| City Manager | Tom Hansen | 6 | Appointed |
| Finance Director | Shari' C. Garrett | 17 | Appointed |
| City Attorney | Stephen F. Noel | 18 | Appointed |
| City Recorder | Amy Rodriguez | 10 | Appointed |

Employee Workforce And Retirement System; No Post–Employment Benefits

Employee Workforce and Retirement System. The City employs approximately 20 full–time equivalent employees. The City participates in cost–sharing multiple employer defined benefit pension plans covering public employees of the State and employees of participating local government entities administered by the Utah State Retirement Systems (“URS”). The retirement system provides refunds, retirement benefits, annual cost of living adjustment and death benefits to plan members and beneficiaries in accordance with retirement statutes.

For a detailed discussion regarding retirement benefits and contributions “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016–Notes To The Financial Statements–Note 15. Retirement Plan” (page A–68) and for a Fiscal Year history of full–time equivalent employees by function see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016–Statistical Section–Operating Information–Full–time Equivalent Employees by Function” (page A–110).

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

Risk Management

The City manages its risks through the purchase of a general insurance coverage policy for public entities through the Utah Local Governments Trust (a public entity risk pool). As of the date of this OFFICIAL STATEMENT, all policies are current and in force. The City believes its risk management policies and coverages are normal and within acceptable coverage limits for the type of services the City provides. See “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016–Notes To The Financial Statements–Note 12. Risk Management” (page A–67).

Investment Of Funds

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

The City is currently complying with all of the provisions of the Money Management Act for all City 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 safekeeping bank, assuring a perfected interest in the securities. Securities owned by the PTIF are completely segregated from securities owned by the State. The State has no claim on assets owned by the PTIF except for any investment of State moneys in the PTIF. Deposits are not insured or otherwise guaranteed by the State.

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

See “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016—Notes To The Financial Statements—Note 2. Cash and Investments” (page A-57).

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

Population

The population of the City, the County, the State and the percent change from the prior period is as follows.

| | <u>City_(1)</u> | <u>% Change From Prior Period</u> | <u>County</u> | <u>% Change From Prior Period</u> | <u>State of Utah</u> | <u>% Change From Prior Period</u> |
|--------------------|-----------------|-------------------------------------------|---------------|-------------------------------------------|----------------------|-------------------------------------------|
| 2015 Estimate..... | 9,157 | 1.0% | 243,645 | 5.4% | 2,995,919 | 8.4% |
| 2010 Census | 9,067 | 6.0 | 231,236 | 17.7 | 2,763,885 | 23.8 |
| 2000 Census | 8,551 | 4.4 | 196,533 | 24.1 | 2,233,169 | 29.6 |
| 1990 Census | 8,189 | (0.3) | 158,330 | 9.5 | 1,722,850 | 17.9 |
| 1980 Census | 8,212 | 13.4 | 144,616 | 14.5 | 1,461,037 | 37.9 |
| 1970 Census | 7,241 | 12.4 | 126,278 | 14.0 | 1,059,273 | 18.9 |
| 1960 Census | 6,441 | na | 110,744 | 32.9 | 890,627 | 29.3 |

(1) The City incorporated in 1958.

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

Employment, Income, Construction, and Sales Taxes Within Weber County, Washington Terrace City and the State of Utah

Labor Force, Nonfarm Jobs and Wages within Weber County

| | Calendar Year (1) | | | | | | % change from prior year | | | | |
|-------------------------------------------------------------|-------------------|----------|----------|----------|----------|----------|--------------------------|---------|---------|---------|-----------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-2011 |
| Civilian labor force..... | 117,979 | 115,180 | 114,848 | 113,445 | 112,488 | 113,259 | 2.4 | 0.3 | 1.2 | 0.9 | (0.7) |
| Employed persons..... | 113,250 | 110,118 | 108,616 | 106,217 | 103,671 | 103,288 | 2.8 | 1.4 | 2.3 | 2.5 | 0.4 |
| Unemployed persons..... | 4,729 | 5,062 | 6,232 | 7,228 | 8,817 | 9,971 | (6.6) | (18.8) | (13.8) | (18.0) | (11.6) |
| Total private sector (average)..... | 80,393 | 76,654 | 74,384 | 71,465 | 69,689 | 68,910 | 4.9 | 3.1 | 4.1 | 2.5 | 1.1 |
| Agriculture, forestry, fishing & hunting..... | 408 | 418 | 388 | 243 | 247 | 284 | (2.4) | 7.7 | 59.7 | (1.6) | (13.0) |
| Mining..... | 42 | 32 | 0 | 0 | 0 | 0 | 31.3 | N/A | N/A | N/A | N/A |
| Utilities..... | 216 | 216 | 223 | 229 | 225 | 233 | 0.0 | (3.1) | (2.6) | 1.8 | (3.4) |
| Construction..... | 566 | 5,310 | 4,858 | 4,577 | 4,235 | 4,334 | (89.3) | 9.3 | 6.1 | 8.1 | (2.3) |
| Manufacturing..... | 13,662 | 12,900 | 12,391 | 12,116 | 11,909 | 11,230 | 5.9 | 4.1 | 2.3 | 1.7 | 6.0 |
| Wholesale trade..... | 3,507 | 3,387 | 3,342 | 3,179 | 3,257 | 3,173 | 3.5 | 1.3 | 5.1 | (2.4) | 2.6 |
| Retail trade..... | 12,039 | 11,720 | 11,357 | 11,188 | 11,150 | 11,170 | 2.7 | 3.2 | 1.5 | 0.3 | (0.2) |
| Transportation and warehousing..... | 2,115 | 2,086 | 1,979 | 1,805 | 1,795 | 1,813 | 1.4 | 5.4 | 9.6 | 0.6 | (1.0) |
| Information..... | 764 | 710 | 738 | 752 | 747 | 920 | 7.6 | (3.8) | (1.9) | 0.7 | (18.8) |
| Finance and insurance..... | 4,145 | 3,702 | 3,587 | 3,519 | 3,386 | 3,427 | 12.0 | 3.2 | 1.9 | 3.9 | (1.2) |
| Real estate and rental and leasing..... | 1,035 | 1,105 | 984 | 836 | 850 | 836 | (6.3) | 12.3 | 17.7 | (1.6) | 1.7 |
| Professional, scientific and technical..... | 4,019 | 3,695 | 3,502 | 3,024 | 2,958 | 2,997 | 8.8 | 5.5 | 15.8 | 2.2 | (1.3) |
| Management of companies and enterprises..... | 430 | 425 | 379 | 493 | 516 | 742 | 1.2 | 12.1 | (23.1) | (4.5) | (30.5) |
| Administration, support, waste management, remediation..... | 7,118 | 7,009 | 6,902 | 6,018 | 5,570 | 5,313 | 1.6 | 1.6 | 14.7 | 8.0 | 4.8 |
| Education services..... | 1,052 | 869 | 822 | 944 | 870 | 766 | 21.1 | 5.7 | (12.9) | 8.5 | 13.6 |
| Health care and social assistance..... | 12,939 | 12,402 | 12,103 | 11,784 | 11,560 | 11,322 | 4.3 | 2.5 | 2.7 | 1.9 | 2.1 |
| Arts, entertainment and recreation..... | 1,581 | 1,421 | 1,515 | 1,485 | 1,476 | 1,279 | 11.3 | (6.2) | 2.0 | 0.6 | 15.4 |
| Accommodation and food services..... | 7,447 | 7,030 | 7,046 | 6,785 | 6,472 | 6,564 | 5.9 | (0.2) | 3.8 | 4.8 | (1.4) |
| Other services..... | 2,626 | 2,636 | 2,651 | 2,718 | 2,691 | 2,740 | (0.4) | (0.6) | (2.5) | 1.0 | (1.8) |
| Total public sector (average)..... | 20,295 | 20,154 | 20,278 | 20,372 | 20,427 | 20,780 | 0.7 | (0.6) | (0.5) | (0.3) | (1.7) |
| Federal..... | 5,790 | 6,083 | 6,244 | 6,365 | 6,524 | 6,849 | (4.8) | (2.6) | (1.9) | (2.4) | (4.7) |
| State..... | 5,185 | 5,108 | 5,044 | 4,960 | 4,845 | 4,786 | 1.5 | 1.3 | 1.7 | 2.4 | 1.2 |
| Local..... | 9,321 | 8,963 | 8,990 | 9,047 | 9,058 | 9,145 | 4.0 | (0.3) | (0.6) | (0.1) | (1.0) |
| Total payroll (in millions)..... | \$ 3,871 | \$ 3,633 | \$ 3,440 | \$ 3,293 | \$ 3,159 | \$ 3,117 | 6.6 | 5.6 | 4.5 | 4.2 | 1.3 |
| Average monthly wage..... | \$ 3,203 | \$ 3,127 | \$ 3,028 | \$ 2,988 | \$ 2,921 | \$ 2,897 | 2.4 | 3.3 | 1.3 | 2.3 | 0.8 |
| Average employment..... | 100,688 | 96,808 | 94,622 | 91,837 | 90,116 | 89,690 | 4.0 | 2.3 | 3.0 | 1.9 | 0.5 |
| Establishments..... | 5,703 | 5,587 | 5,526 | 5,370 | 5,373 | 5,436 | 2.1 | 1.1 | 2.9 | (0.1) | (1.2) |

(1) Utah Department of Workforce Services.

Employment, Income, Construction, and Sales Taxes Within Weber County, Washington Terrace City and the State of Utah—continued

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

| | Calendar Year (1) | | | | | | % change from prior year | | | | |
|-------------------------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|--------------------------|---------|---------|---------|-----------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2014–15 | 2013–14 | 2012–13 | 2011–12 | 2010–2011 |
| Total Personal Income (in \$1,000's): | | | | | | | | | | | |
| Weber County..... | na | \$ 8,401,686 | \$ 8,076,107 | \$ 7,885,094 | \$ 7,679,104 | \$ 7,285,502 | - | 4.0 | 2.4 | 2.7 | 5.4 |
| State of Utah..... | 116,992,288 | 110,841,885 | 106,072,574 | 102,772,080 | 96,888,550 | 90,483,243 | 5.5 | 4.5 | 3.2 | 6.1 | 7.1 |
| Total Per Capita Personal Income (in \$): | | | | | | | | | | | |
| Weber County..... | na | 34,938 | 33,873 | 33,335 | 32,819 | 31,387 | - | 3.1 | 1.6 | 1.6 | 4.6 |
| State of Utah..... | 39,045 | 37,664 | 36,542 | 35,995 | 34,415 | 32,614 | 3.7 | 3.1 | 1.5 | 4.6 | 5.5 |
| Median Household Income (in \$): | | | | | | | | | | | |
| Weber County..... | na | 59,293 | 54,055 | 54,169 | 52,183 | 53,612 | - | 9.7 | (0.2) | 3.8 | (2.7) |
| State of Utah..... | na | 60,943 | 59,715 | 57,067 | 55,802 | 54,740 | - | 2.1 | 4.6 | 2.3 | 1.9 |

Construction within Washington Terrace City (2)

| | Calendar Year | | | | | | % change from prior year | | | | |
|-------------------------------------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|--------------------------|---------|---------|---------|---------|
| | 2016 (3) | 2015 | 2014 | 2013 | 2012 | 2011 | 2015–16 | 2014–15 | 2013–14 | 2012–13 | 2011–12 |
| Number new dwelling units..... | 4 | 1 | 1 | 2 | 2 | 1 | 300.0 | 0.0 | (50.0) | 0.0 | 100.0 |
| New (in \$1,000's): | | | | | | | | | | | |
| Residential value..... | \$ 1,445.8 | \$ 386.5 | \$ 146.9 | \$ 427.8 | \$ 563.3 | \$ 159.9 | 274.1 | 163.1 | (65.7) | (24.1) | 252.3 |
| Non-residential value..... | 396.7 | 54.2 | 43.9 | 292.0 | 35.0 | 281.7 | 631.9 | 23.5 | (85.0) | 734.3 | (87.6) |
| Additions, alterations, repairs (in \$1,000's): | | | | | | | | | | | |
| Residential value..... | 328.9 | 452.1 | 215.4 | 221.4 | 594.8 | 77.5 | (27.3) | 109.9 | (2.7) | (62.8) | 667.5 |
| Non-residential value..... | 2,681.4 | 3,041.2 | 52.9 | 584.7 | 555.0 | 1,922.4 | (11.8) | 5,649.0 | (91.0) | 5.4 | (71.1) |
| Total construction value (in \$1,000's)..... | <u>\$ 4,852.8</u> | <u>\$ 3,934.0</u> | <u>\$ 459.1</u> | <u>\$ 1,525.9</u> | <u>\$ 1,748.1</u> | <u>\$ 2,441.5</u> | 23.4 | 756.9 | (69.9) | (12.7) | (28.4) |

Taxable Sales and Local Sales Taxes Within Weber County, Washington Terrace and the State of Utah (4)

| | Calendar Year | | | | | | % change from prior year | | | | |
|---------------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------------------|---------|---------|---------|-----------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2014–15 | 2013–14 | 2012–13 | 2011–12 | 2010–2011 |
| Taxable Sales (in \$1,000's): | | | | | | | | | | | |
| Weber County..... | \$ 3,926,992 | \$ 3,719,454 | \$ 3,527,342 | \$ 3,334,747 | \$ 3,161,297 | \$ 3,094,882 | 5.6 | 5.4 | 5.8 | 5.5 | 2.1 |
| State of Utah..... | 53,933,277 | 51,709,163 | 49,404,046 | 47,531,180 | 44,335,559 | 41,907,568 | 4.3 | 4.7 | 3.9 | 7.2 | 5.8 |
| | Fiscal Year | | | | | | % change from prior year | | | | |
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2014–15 | 2013–14 | 2012–13 | 2011–12 | 2010–2011 |
| Local Sales and Use Tax Distribution: | | | | | | | | | | | |
| Washington Terrace City..... | \$ 974,398 | \$ 916,012 | \$ 886,326 | \$ 839,984 | \$ 762,695 | \$ 730,844 | 6.4 | 3.3 | 5.5 | 10.1 | 4.4 |
| Weber County (and all cities)..... | 39,832,325 | 37,991,635 | 36,500,529 | 34,809,653 | 32,949,498 | 32,377,760 | 4.8 | 4.1 | 4.9 | 5.6 | 1.8 |

- (1) U.S. Department of Commerce; Bureau of Economic Analysis and U.S. Census Bureau.
- (2) University of Utah Kem C. Gardner Policy Institute, Ivory-Boyer Utah Report and Database.
- (3) January 2016 through May 2016.
- (4) Utah State Tax Commission.

For a 10-year Fiscal Year history of property values and construction see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016—Statistical Section—Operating Information—Property Value and Construction Last Ten Fiscal Years” (page A-111).

Largest Employers

| Employer (Location) | Business | Approximate Range of Number of Employees |
|-----------------------------------------------------|-------------------------------------------|---------------------------------------------------|
| The City: | | |
| Mount Ogden Health & Rehabilitation..... | Health care and social assistance | 50–100 |
| Stonehenge of Ogden LLC..... | Health care and social assistance | 50–100 |
| Envision Home Health LLC..... | Health care and social assistance | 20–50 |
| Washington Terrace..... | Public administration | 20–50 |
| Adams Avenue Parkway Inc..... | Transportation and warehousing | 10–20 |
| Maverick Country Stores Inc..... | Retail trade | 10–20 |
| Pleasant Valley Dental and Sleep Center..... | Health care and social assistance | 10–20 |
| County (location): | | |
| Office of Inspector General for Tax (Ogden City) .. | Public administration | 4,000–5,000 |
| McKay Dee Hospital Center (Ogden City) | Health care and social assistance | 3,000–4,000 |
| Weber School District (county-wide) | Public education | 2,375–5,050 |
| Weber State University (Ogden City)..... | Education services | 2,000–4,000 |
| Autoliv (Ogden City)..... | Manufacturing | 2,000–3,000 |
| Ogden City School District (Ogden City) | Public education | 1,175–2,450 |
| American First Credit Union (Ogden City)..... | Finance and insurance | 1,000–2,000 |
| Fresenius USA Manufacturing Inc. (Ogden City)... | Manufacturing | 1,000–2,000 |
| Weber County (various) (1)..... | Public administration | 715–1,600 |
| Wal-Mart (Harrisville, Ogden, Riverdale cities).... | Retail trade | 600–1,250 |
| Associated Food Stores Inc. (Ogden City) | Wholesale trade | 500–1,000 |
| Columbia Ogden Medical Center (Ogden City)..... | Health care and social assistance | 500–1,000 |
| Home Depot (Ogden City) | Admin., support, waster mgt., remediation | 500–1,000 |
| Marketstar Corporation (Ogden) | Professional, scientific and technical | 500–1,000 |
| Utah State Medical Assistance (Ogden City) | Public administration | 500–1,000 |
| Wayfair LLC (Ogden City) | Retail trade | 500–1,000 |

(1) Source: The County.

(Source: Utah Department of Workforce Services. Updated March 2016, reflecting information as of September 2015.)

For additional demographic, economic, and principal employers as of the City’s historical Fiscal Years see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016—Statistical Section—Demographic and Economic Indicators Last Ten Fiscal Years” (page A-105) and “—Principal Employers—Current Year and Seven Years Ago” (page A-106).

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Rate Of Unemployment—Annual Average

| <u>Year</u> | <u>Weber County</u> | <u>State of Utah</u> | <u>United States</u> |
|---------------|-------------------------|--------------------------|--------------------------|
| 2016 (1)..... | 3.5% | 3.4% | 5.0% |
| 2015 | 4.0 | 3.5 | 5.3 |
| 2014 | 4.4 | 3.8 | 6.2 |
| 2013 | 5.4 | 4.6 | 7.4 |
| 2012 | 6.4 | 5.4 | 8.1 |
| 2011 | 7.8 | 6.8 | 8.9 |

(1) Preliminary, subject to change. As of September 2016 (seasonally adjusted).
(Source: Utah Department of Workforce Services.)

DEBT STRUCTURE OF THE CITY OF WASHINGTON TERRACE, UTAH

Outstanding Revenue Bonded Indebtedness

| <u>Series</u> | <u>Purpose</u> | <u>Original Principal Amount</u> | <u>Final Maturity Date</u> | <u>Current Principal Outstanding</u> |
|----------------------------------------------------------|----------------|------------------------------------------|--------------------------------|----------------------------------------------|
| 2017 (a) (1) | Buildings | \$4,870,000* | June 1, 2037 | \$4,870,000* |
| 2010C (2) | Utility/BAB | 835,000 | June 1, 2031 | 665,000 |
| 2010B (3) | Utility/BAB | 708,000 | June 1, 2031 | 573,000 |
| 2010A (4)..... | Refunding | 2,425,000 | June 1, 2021 | <u>1,175,000</u> |
| Total principal amount of outstanding revenue debt | | | | <u>\$7,283,000*</u> |

* Preliminary; subject to change.

- (a) For purposes of this OFFICIAL STATEMENT the 2017 Bonds will be considered issued and outstanding. Rated “AA” underlying by Standard & Poor’s Global Ratings (“S&P”), as of the date of this OFFICIAL STATEMENT.
- (2) Not rated; no rating applied for. Purchased by State of Utah Division of Drinking Water at a 2.50% interest rate.
- (3) Not rated; no rating applied for. Purchased by State of Utah Division of Drinking Water at an annual interest rate of 3.56%.
- (4) Rated “AA” (Assured Guaranty Municipal Insured/“AA” underlying) by S&P, as of the date of OFFICIAL STATEMENT.

Outstanding General Obligations Bonds

| <u>Series</u> | <u>Purpose</u> | <u>Original Principal Amount</u> | <u>Final Maturity Date</u> | <u>Current Principal Outstanding</u> |
|---------------|----------------|------------------------------------------|--------------------------------|----------------------------------------------|
| 2015 (1)..... | Refunding | \$1,802,000 | July 20, 2020 | <u>\$1,439,000</u> |

(1) Not rated; no rating applied for; these bonds were privately placed.

Outstanding Sales Tax Revenue Bonds

| <u>Series</u> | <u>Purpose</u> | <u>Original Principal Amount</u> | <u>Final Maturity Date</u> | <u>Current Principal Outstanding</u> |
|---------------|----------------|------------------------------------------|--------------------------------|----------------------------------------------|
| 2013 (1)..... | Refunding | \$1,097,000 | June 1, 2024 | <u>\$800,000</u> |

(1) Not rated; no rating applied for; these bonds were privately placed.

Future Issuance Of Debt; Other Financial Considerations

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

Other Financial Considerations. In 2015, the City purchased fire truck for \$220,000 as a private placement. Annual payments are approximately \$46,631 with a final maturity in Fiscal Year 2020. The present value of the minimum lease payments is \$177,853. See “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016—Notes To The Financial Statements—Note 8. Capital Leases” (page 61).

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Debt Service Schedule Of Outstanding Utility System Revenue Bonds By Fiscal Year

| Fiscal Year Ending June 30 | Series 2017 \$4,870,000* | | Series 2010C (1) \$1,100,000 | | Series 2010B (2) \$708,000 | | Series 2010A \$2,425,000 | | Totals* | | |
|----------------------------------|-----------------------------|---------------------|---------------------------------|-------------------|-------------------------------|-------------------|-----------------------------|-------------------|---------------------|-----------------------|-----------------------|
| | Principal* | Interest (a) | Principal | Interest (3) | Principal | Interest (3) | Principal | Interest | Total Principal | Total Interest (3) | Total Debt Service |
| 2016..... | \$ 0 | \$ 0 | \$ 36,000 | \$ 17,525 | \$ 29,000 | \$ 21,431 | \$ 210,000 | \$ 50,963 | \$ 275,000 | \$ 89,919 | \$ 364,919 |
| 2017..... | 0 | 57,313 | 37,000 | 16,625 | 30,000 | 20,399 | 215,000 | 45,713 | 282,000 | 140,049 | 422,049 |
| 2018..... | 165,000 | 163,750 | 38,000 | 15,700 | 31,000 | 19,331 | 225,000 | 39,800 | 459,000 | 238,581 | 697,581 |
| 2019..... | 170,000 | 160,450 | 39,000 | 14,750 | 32,000 | 18,227 | 230,000 | 33,050 | 471,000 | 226,477 | 697,477 |
| 2020..... | 175,000 | 157,150 | 40,000 | 13,775 | 33,000 | 17,088 | 250,000 | 22,700 | 498,000 | 210,713 | 708,713 |
| 2021..... | 175,000 | 153,750 | 41,000 | 12,775 | 34,000 | 15,913 | 255,000 | 10,200 | 505,000 | 192,638 | 697,638 |
| 2022..... | 185,000 | 148,500 | 42,000 | 11,750 | 35,000 | 14,703 | - | - | 262,000 | 174,953 | 436,953 |
| 2023..... | 190,000 | 143,100 | 43,000 | 10,700 | 36,000 | 13,457 | - | - | 269,000 | 167,257 | 436,257 |
| 2024..... | 200,000 | 133,850 | 44,000 | 9,625 | 38,000 | 12,175 | - | - | 282,000 | 155,650 | 437,650 |
| 2025..... | 210,000 | 124,350 | 45,000 | 8,525 | 39,000 | 10,822 | - | - | 294,000 | 143,697 | 437,697 |
| 2026..... | 220,000 | 114,350 | 46,000 | 7,400 | 40,000 | 9,434 | - | - | 306,000 | 131,184 | 437,184 |
| 2027..... | 230,000 | 103,850 | 47,000 | 6,250 | 42,000 | 8,010 | - | - | 319,000 | 118,110 | 437,110 |
| 2028..... | 240,000 | 92,850 | 48,000 | 5,075 | 43,000 | 6,515 | - | - | 331,000 | 104,440 | 435,440 |
| 2029..... | 250,000 | 81,100 | 50,000 | 3,875 | 45,000 | 4,984 | - | - | 345,000 | 89,959 | 434,959 |
| 2030..... | 260,000 | 68,850 | 52,000 | 2,625 | 47,000 | 3,382 | - | - | 359,000 | 74,857 | 433,857 |
| 2031..... | 275,000 | 61,050 | 53,000 | 1,325 | 48,000 | 1,709 | - | - | 376,000 | 64,084 | 440,084 |
| 2032..... | 285,000 | 53,100 | - | - | - | - | - | - | 285,000 | 53,100 | 338,100 |
| 2033..... | 300,000 | 44,850 | - | - | - | - | - | - | 300,000 | 44,850 | 344,850 |
| 2034..... | 310,000 | 36,450 | - | - | - | - | - | - | 310,000 | 36,450 | 346,450 |
| 2035..... | 325,000 | 27,750 | - | - | - | - | - | - | 325,000 | 27,750 | 352,750 |
| 2036..... | 345,000 | 18,750 | - | - | - | - | - | - | 345,000 | 18,750 | 363,750 |
| 2037..... | 360,000 | 9,450 | - | - | - | - | - | - | 360,000 | 9,450 | 369,450 |
| Totals..... | <u>\$ 4,870,000</u> | <u>\$ 1,954,613</u> | <u>\$ 701,000</u> | <u>\$ 158,300</u> | <u>\$ 602,000</u> | <u>\$ 197,580</u> | <u>\$ 1,385,000</u> | <u>\$ 202,425</u> | <u>\$ 7,558,000</u> | <u>\$ 2,512,918</u> | <u>\$ 10,070,918</u> |

* Preliminary; subject to change.

(a) Preliminary; subject to change. Interest has been estimated at an average interest rate of 4.65% per annum.

(1) Federally taxable (direct pay, 35% issuer subsidy, Build America Bonds). Does not reflect any federal interest subsidy payments. These bonds were purchased by the State of Utah Division of Drinking Water at a coupon rate of 2.50% per annum.

(2) Federally taxable (direct pay, 35% issuer subsidy, Build America Bonds). Does not reflect any federal interest subsidy payments. These bonds were purchased by the State of Utah Division of Drinking Water at a coupon rate of 3.56% per annum.

(3) Does not reflect any federal interest rate subsidy payments on the 2010B Bonds and the 2010C Bonds which were issued as Build America Bonds.

(Source: Municipal Advisor.)

**Debt Service Schedule of Outstanding General
Obligation Bonds By Fiscal Year**

| Fiscal Year Ending June 30 | Series 2015 \$1,802,000 | | Total Debt Service |
|----------------------------------|----------------------------|------------------|-----------------------|
| | Principal | Interest | |
| 2016..... | \$ 0 | \$ 11,364 | \$ 11,364 |
| 2017..... | 363,000 | 26,678 | 389,678 |
| 2018..... | 373,000 | 22,524 | 395,524 |
| 2019..... | 375,000 | 16,819 | 391,819 |
| 2020..... | 377,000 | 10,238 | 387,238 |
| 2021..... | 314,000 | 3,376 | 317,376 |
| Totals..... | <u>\$ 1,802,000</u> | <u>\$ 90,999</u> | <u>\$ 1,892,999</u> |

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

| Fiscal Year Ending June 30 | Series 2013 \$1,097,000 | | Total Debt Service |
|----------------------------------|----------------------------|------------------|-----------------------|
| | Principal | Interest | |
| 2016..... | \$ 102,000 | \$ 17,870 | \$ 119,870 |
| 2017..... | 101,000 | 15,840 | 116,840 |
| 2018..... | 106,000 | 13,840 | 119,840 |
| 2019..... | 105,000 | 11,741 | 116,741 |
| 2020..... | 109,000 | 9,662 | 118,662 |
| 2021..... | 110,000 | 7,504 | 117,504 |
| 2022..... | 118,000 | 5,326 | 123,326 |
| 2023..... | 75,000 | 2,990 | 77,990 |
| 2024..... | 76,000 | 1,505 | 77,505 |
| Totals..... | <u>\$ 902,000</u> | <u>\$ 86,278</u> | <u>\$ 988,278</u> |

(Source: Municipal Advisor.)

Overlapping and Underlying General Obligation Debt

| Taxing Entity | 2016 Taxable Value (1) | City's Portion of Tax- able Value | City's Per- centage | Entity's General Obligation Debt | City's Portion of G.O. Debt |
|-------------------------------------------------------------------------------------|------------------------------|-----------------------------------------|---------------------------|-------------------------------------------|-----------------------------------|
| <i>Overlapping:</i> | | | | | |
| State of Utah | \$239,942,572,174 | \$369,838,145 | 0.15% | \$2,173,985,000 | \$3,260,978 |
| WBWCD (2)(3)..... | 51,913,349,748 | 369,838,145 | 0.71 | 21,139,452 | 150,090 |
| Weber County | 13,851,942,815 | 369,838,145 | 2.67 | 47,115,000 | 1,257,971 |
| Weber County School District | 9,537,734,048 | 369,838,145 | 3.88 | 124,270,000 | <u>4,821,676</u> |
| Total overlapping | | | | | <u>9,490,715</u> |
| <i>Underlying:</i> | | | | | |
| Total underlying | | | | | <u>0</u> |
| Total overlapping and underlying general obligation debt | | | | | <u>\$9,490,715</u> |
| Total overlapping general obligation debt (excluding the State) (4) | | | | | \$6,229,737 |
| Total direct general obligation bonded indebtedness | | | | | <u>1,439,000</u> |
| Total direct and overlapping general obligation debt (excluding the State) (4)..... | | | | | <u>\$7,668,737</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) Weber Basin Water Conservancy District (“WBWCD”) overlaps into the County and almost covers the entire County; for purposes of this table WBWCD will be considered as overlapping debt. WBWCD covers all of Morgan County, almost all of the County and Davis County, and portions of Box Elder and Summit Counties. Principal and interest on WBWCD’s outstanding general obligation bonds are limited ad valorem tax bonds. Certain portions of the principal of and interest on WBWCD’s general obligation bonds are paid from sales of water.
- (3) All or portions of these governmental entities outstanding general obligation debt are supported by user fee revenues from water or sewer. The City’s portion of overlapping general obligation debt has been reduced to the extent that such general obligation debt is supported by “user fee revenues.”
- (4) 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.)

For the City’s presentation regarding direct and overlapping debt as of Fiscal Year 2016 see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016—Statistical Section—Debt Capacity—Computation of Direct and Overlapping Debt as of June 30 2016” (page A-99).

General Obligation Debt Ratios

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

| | To 2016 Estimated Taxable Value (1) | To 2016 Estimated Market Value (2) | To 2015 Population Estimate Per Capita (3) |
|-----------------------------------------------------|----------------------------------------------|---------------------------------------------|-----------------------------------------------------|
| Direct general obligation debt..... | 0.39% | 0.03% | \$157 |
| Direct and overlapping general obligation debt..... | 2.07 | 1.34 | 837 |

- (1) Based on an estimated 2016 Taxable Value of \$369,838,145, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (2) Based on an estimated 2016 Market Value of \$571,866,872, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (3) Based on 2015 estimate of 9,157 by the U.S. Census Bureau.

(Source: Municipal Advisor.)

For a 10-year Fiscal Year history of debt ratios of the City regarding general obligation bonds see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016—Statistical Section—Debt Capacity—Ratios of General Obligation (GO) Bonded Debt Outstanding” (page A-102).

General Obligation Legal Debt Limit And Additional Debt Incurring Capacity

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

| | | | |
|---------------------------------------------------------------------|------------------------------------|----------------------|----------------------|
| Estimated 2016 “Fair Market Value” | | | \$571,866,872 |
| 2015 Valuation from Uniform Fees (1) | | | <u>6,012,117</u> |
| Estimated 2016 “Fair Market Value for Debt Incurring Capacity”..... | | | <u>\$577,878,989</u> |
| | 8% Sewer, Water and Electric | 4% Other Purposes | 12% Total |
| “Fair Market Value” x .08 | \$46,230,319 | \$ 0 | \$46,230,319 |
| “Fair Market Value” x .04 | <u>0</u> | <u>23,115,160</u> | <u>23,115,160</u> |
| Total Debt Incurring Capacity..... | 46,230,319 | 23,115,160 | 69,345,479 |
| Less: Current Outstanding General Obligation Debt | <u>(0)</u> | <u>(1,439,000)</u> | <u>(1,439,000)</u> |
| Additional Debt Incurring Capacity..... | <u>\$46,230,319</u> | <u>\$21,676,160</u> | <u>\$67,906,479</u> |

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

For a 10-year Fiscal Year history of the City’s presentation of general obligation legal debt capacity see “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF

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 THE CITY OF WASHINGTON TERRACE, UTAH

Fund Structure; Accounting Basis

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

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

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

Budget And Budgetary Accounting

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

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

Prior to June 22 of each year, the final budgets for all funds are adopted by the City Council. The Fiscal Procedures Act prohibits the City Council from making any appropriation in the final budget of any fund in excess of the estimated expendable revenue of such fund. The adopted final budget is subject to

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

Financial Controls

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

Sources Of General Fund Revenues; Tax 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 2016 period (total General Fund revenues were \$3,976,147).

Taxes—Approximately 57.9% (or \$2,300,492) of General Fund revenues are from taxes.

Charges for Services—Approximately 21.9% (or \$872,174) of General Fund revenues are from charges for services.

Intergovernmental Revenue—Approximately 8.5% (or \$338,989) of General Fund revenues are from federal and State shared revenues.

Licenses and Permits—Approximately 4.8% (or \$191,414) of General Fund revenues are collected from licenses, permits and other revenues.

Fines and Forfeitures—Approximately 4.1% (or \$163,061) of General Fund revenues are collected from fines, forfeitures and other sources.

Miscellaneous—Approximately 2% (or \$78,375) of General Fund revenues are collected from miscellaneous revenues.

Interest—Less than 1% (or \$31,642) of General Fund revenues are collected from interest income.

Additional Information. For a 10-year Fiscal Year history of the City's general governmental total revenues by source see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016—Statistical Section—Revenue Capacity—General Governmental Revenues by Source Last Ten Fiscal Years" (page A-92) and "—General Governmental Tax Revenues by Source Last Ten Fiscal Years" (page A-92).

Financial Summaries

The summaries contained herein were extracted from the City's financial statements for Fiscal Years 2012 through 2016. The summaries themselves have not been audited.

City of Washington Terrace, Utah

Statement of Net Position

(This summary has not been audited)

| | As of June 30 | | | | |
|---------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Assets: | | | | | |
| Capital assets net of accumulated depreciation: | | | | | |
| Infrastructure..... | \$ 25,530,203 | \$ 25,109,434 | \$ 26,347,865 | \$ 24,719,215 | \$ 24,719,215 |
| Buildings and improvements..... | 4,664,924 | 2,896,362 | 3,511,794 | 18,700,827 | 18,008,954 |
| Machinery and equipment..... | 1,009,735 | 1,487,126 | 1,184,796 | 1,982,442 | 1,978,112 |
| Accumulated depreciation..... | - | - | - | (15,360,229) | (13,994,704) |
| Cash and cash equivalents..... | 10,457,624 | 10,069,790 | 8,409,065 | 8,869,177 | 8,023,444 |
| Capital assets not being depreciated: | | | | | |
| Land..... | 9,537,215 | 9,537,215 | 9,537,214 | 9,183,554 | 9,208,204 |
| Construction work in progress..... | 146,044 | 2,769,872 | 742,851 | 253,904 | 199,221 |
| Due from other governmental units..... | 1,334,267 | 1,712,388 | 1,749,294 | 1,440,600 | 1,079,827 |
| Cash-restricted..... | 666,888 | 1,170,220 | 1,240,674 | 699,942 | 689,784 |
| Accounts receivable, net..... | 595,949 | 362,412 | 352,022 | 357,589 | 300,135 |
| Prepaid expenses..... | 559,159 | 239,598 | 94,309 | 91,856 | 91,603 |
| Net pension asset..... | 3,243 | 10,063 | - | - | - |
| Investments..... | - | 42,313 | 282,330 | - | - |
| Deferred charges-net..... | - | - | - | - | 283,570 |
| Total assets..... | <u>54,505,251</u> | <u>55,406,793</u> | <u>53,452,214</u> | <u>50,938,877</u> | <u>50,587,365</u> |
| Deferred outflows of resources: | | | | | |
| Related to pensions..... | 274,480 | 87,072 | - | - | - |
| Total deferred outflows of resources..... | <u>274,480</u> | <u>87,072</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets and deferred outflows of resources..... | <u>\$ 54,779,731</u> | <u>\$ 55,493,865</u> | <u>\$ 53,452,214</u> | <u>\$ 50,938,877</u> | <u>\$ 50,587,365</u> |
| Liabilities: | | | | | |
| Noncurrent liabilities: | | | | | |
| Due in more than one year..... | \$ 4,497,960 | \$ 5,265,958 | \$ 5,793,244 | \$ 6,820,148 | \$ 7,627,890 |
| Due within one year..... | 855,111 | 795,009 | 1,007,609 | 970,334 | 942,790 |
| Net pension liability..... | 505,297 | 379,578 | - | - | - |
| Accounts payable..... | 207,847 | 434,396 | 223,946 | 803,985 | 647,591 |
| Accrued liabilities..... | 103,447 | 172,779 | 152,923 | 96,900 | 90,826 |
| Accrued interest..... | 14,110 | 35,681 | 47,464 | - | - |
| Unearned revenue..... | 5,459 | 17,323 | 6,414 | - | 823,318 |
| Unamortized bond premium..... | - | - | - | - | 118,532 |
| Total liabilities..... | <u>6,189,231</u> | <u>7,100,724</u> | <u>7,231,600</u> | <u>8,691,367</u> | <u>10,250,947</u> |
| Deferred inflows of resources: | | | | | |
| Property taxes..... | 992,669 | 1,463,636 | 1,491,400 | 862,858 | - |
| Pension related..... | 60,434 | 56,668 | - | - | - |
| Total deferred inflows of resources..... | <u>1,053,103</u> | <u>1,520,304</u> | <u>1,491,400</u> | <u>862,858</u> | <u>-</u> |
| Net position: | | | | | |
| Net investment in capital assets..... | 35,629,417 | 35,825,988 | 34,078,529 | 31,205,744 | 31,819,571 |
| Unrestricted..... | 11,181,694 | 9,829,918 | 9,366,612 | 9,386,737 | 7,792,703 |
| Restricted for: | | | | | |
| Roads..... | 569,437 | 1,074,020 | 919,617 | 792,171 | 724,144 |
| Debt service..... | 156,849 | 142,911 | 114,016 | - | - |
| Capital projects..... | - | - | 250,440 | - | - |
| Total net position..... | <u>47,537,397</u> | <u>46,872,837</u> | <u>44,729,214</u> | <u>41,384,652</u> | <u>40,336,418</u> |
| Total liabilities, deferred inflows and net position... | <u>\$ 54,779,731</u> | <u>\$ 55,493,865</u> | <u>\$ 53,452,214</u> | <u>\$ 50,938,877</u> | <u>\$ 50,587,365</u> |

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

City of Washington Terrace, Utah

Statement of Activities

(This summary has not been audited)

| | Net (Expense) Revenue and Changes in Net Assets (1) | | | | |
|------------------------------------------|-----------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Fiscal Year Ended June 30 | | | | |
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Governmental activities: | | | | | |
| Highways and public works..... | \$ (2,192,455) | \$ (297,568) | \$ (906,390) | \$ (1,375,551) | \$ 340,596 |
| Public safety..... | (1,021,872) | (1,069,059) | (1,192,214) | (1,001,803) | (971,096) |
| Parks and recreation..... | (308,272) | (218,681) | (155,777) | 207,801 | (163,653) |
| Interest on long-term debt..... | (118,645) | (116,935) | (112,941) | (195,865) | (259,206) |
| General government..... | 150,469 | 276,585 | 799,744 | (242,947) | (171,495) |
| Total governmental activities..... | <u>(3,490,775)</u> | <u>(1,425,658)</u> | <u>(1,567,578)</u> | <u>(2,608,365)</u> | <u>(1,224,854)</u> |
| Business-type activities: | | | | | |
| Sewer..... | 188,356 | 188,813 | 333,529 | 156,638 | 633,009 |
| Refuse..... | 115,402 | 13,295 | 31,527 | 19,373 | 64,670 |
| Water..... | 83,978 | 365,409 | 634,957 | 306,370 | 744,137 |
| Storm water services..... | 32,928 | 94,733 | 107,959 | 73,113 | 514,020 |
| Total business-type activities..... | <u>420,664</u> | <u>662,250</u> | <u>1,107,972</u> | <u>555,494</u> | <u>1,955,836</u> |
| Total primary government | <u>(3,070,111)</u> | <u>(763,408)</u> | <u>(459,606)</u> | <u>(2,052,871)</u> | <u>730,982</u> |
| General revenues: | | | | | |
| Property taxes..... | 1,598,906 | 1,591,886 | 1,719,870 | 1,571,060 | 1,577,070 |
| Sales taxes..... | 1,008,180 | 978,354 | 919,397 | 887,879 | 873,830 |
| Franchise taxes..... | 718,914 | 695,220 | 698,397 | 699,047 | 677,204 |
| Interest and investment earnings..... | 79,093 | 49,224 | 44,614 | 70,252 | 64,868 |
| Gain (loss) on sale of assets..... | - | - | - | 6,045 | 17,702 |
| Miscellaneous..... | - | - | - | - | 2,479 |
| Total general revenues and transfers.... | <u>3,405,093</u> | <u>3,314,684</u> | <u>3,382,278</u> | <u>3,234,283</u> | <u>3,213,153</u> |
| Change in net position..... | 334,982 | 2,551,276 | 2,922,672 | 1,181,412 | 3,944,135 |
| Net position—beginning, restated..... | <u>47,202,415</u> | <u>44,321,561</u> | <u>41,806,542</u> | <u>40,203,240</u> | <u>36,392,283</u> |
| Net position—ending..... | <u><u>\$47,537,397</u></u> | <u><u>\$46,872,837</u></u> | <u><u>\$44,729,214</u></u> | <u><u>\$41,384,652</u></u> | <u><u>\$40,336,418</u></u> |

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

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

City of Washington Terrace, Utah

Balance Sheet—Governmental Funds

General Fund

(This summary has not been audited)

| | Fiscal Year Ended June 30 | | | | |
|------------------------------------------|----------------------------------|--------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Assets | | | | | |
| Cash and cash equivalents..... | \$ 4,461,144 | \$ 4,397,031 | \$ 3,887,472 | \$ 1,100,664 | \$ 915,613 |
| Due from other governmental units..... | 1,334,267 | 1,712,388 | 1,749,294 | 741,176 | 667,956 |
| Restricted assets: | | | | | |
| Cash and cash equivalents..... | 611,865 | 1,120,587 | 935,757 | - | - |
| Prepays..... | 418,766 | 153,185 | - | - | 857 |
| Due from other funds..... | 289,353 | - | - | - | - |
| Accounts receivable, net..... | 48,596 | 46,051 | 45,128 | 44,210 | 43,254 |
| Total assets..... | \$ 7,163,991 | \$ 7,429,242 | \$ 6,617,651 | \$ 1,886,050 | \$ 1,627,680 |
| Liabilities: | | | | | |
| Due to other funds..... | \$ 289,353 | \$ - | \$ - | \$ - | \$ - |
| Accounts payable..... | 176,288 | 362,481 | 181,195 | 278,701 | 304,455 |
| Accrued liabilities..... | 44,451 | 113,270 | 90,693 | 96,900 | 90,826 |
| Unearned revenue..... | 5,459 | 17,323 | 6,414 | - | 427,745 |
| Total liabilities..... | 515,551 | 493,074 | 278,302 | 375,601 | 823,026 |
| Deferred inflows of resources: | | | | | |
| Property taxes..... | 992,669 | 1,463,636 | 1,491,400 | 467,547 | - |
| Total deferred inflows of resources..... | 992,669 | 1,463,636 | 1,491,400 | 467,547 | - |
| Fund balances: | | | | | |
| Committed for: | | | | | |
| Capital projects..... | 3,093,829 | 2,595,947 | 2,132,560 | - | - |
| Assigned: | | | | | |
| Redevelopment agency..... | 966,590 | 774,007 | 672,779 | - | - |
| Unassigned..... | 863,933 | 915,480 | 1,040,164 | 801,557 | 601,278 |
| Restricted: | | | | | |
| Class "C" roads..... | 569,437 | 1,074,020 | 919,617 | 241,345 | 202,519 |
| Debt service..... | 120,326 | 113,078 | 82,829 | - | - |
| Nonspendable-prepaid expenditures..... | 41,656 | - | - | - | 857 |
| Total fund balances..... | 5,655,771 | 5,472,532 | 4,847,949 | 1,042,902 | 804,654 |
| Total liabilities and fund balances..... | \$ 7,163,991 | \$ 7,429,242 | \$ 6,617,651 | \$ 1,886,050 | \$ 1,627,680 |

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

City of Washington Terrace, Utah

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Fund—General Fund

(This summary has not been audited)

| | Fiscal Year Ended June 30 | | | | |
|----------------------------------------------------|----------------------------------|--------------------|--------------------|--------------------|-------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Revenues: | | | | | |
| Taxes..... | \$2,300,492 | \$2,375,809 | \$2,219,283 | \$2,119,429 | \$2,101,310 |
| Charges for services..... | 872,174 | 867,282 | 877,740 | 827,501 | 773,679 |
| Intergovernmental..... | 338,989 | 278,869 | 270,813 | 349,177 | 310,363 |
| Licenses and permits..... | 191,414 | 158,860 | 218,632 | 111,449 | 99,981 |
| Fines and forfeitures..... | 163,061 | 154,858 | 146,356 | 154,803 | 170,033 |
| Miscellaneous revenue..... | 78,375 | 47,158 | 55,255 | 78,627 | 20,345 |
| Interest income..... | 31,642 | 10,297 | 11,959 | 7,738 | 14,565 |
| Total revenues..... | <u>3,976,147</u> | <u>3,893,133</u> | <u>3,800,038</u> | <u>3,648,724</u> | <u>3,490,276</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Public safety..... | 1,140,698 | 1,139,546 | 1,151,935 | 1,129,803 | 1,140,451 |
| General government..... | 1,064,076 | 1,132,514 | 1,117,791 | 978,202 | 928,748 |
| Highways and public works..... | 707,774 | 676,139 | 680,045 | 694,125 | 681,158 |
| Parks and recreation..... | 233,761 | 210,827 | 212,704 | 199,168 | 190,131 |
| Total expenditures..... | <u>3,146,309</u> | <u>3,159,026</u> | <u>3,162,475</u> | <u>3,001,298</u> | <u>2,940,488</u> |
| Excess of revenues over (under) expenditures..... | <u>829,838</u> | <u>734,107</u> | <u>637,563</u> | <u>647,426</u> | <u>549,788</u> |
| Other financing sources (uses): | | | | | |
| Transfers in..... | 92,672 | 92,093 | 90,538 | - | - |
| Transfers out..... | <u>(939,301)</u> | <u>(917,650)</u> | <u>(448,132)</u> | <u>(409,178)</u> | <u>(856,390)</u> |
| Total other financing sources (uses)..... | <u>(846,629)</u> | <u>(825,557)</u> | <u>(357,594)</u> | <u>(409,178)</u> | <u>(856,390)</u> |
| Net change in fund balances..... | (16,791) | (91,450) | 279,969 | 238,248 | (306,602) |
| Fund balance at beginning of year, as restated.... | <u>1,231,422</u> | <u>1,322,871</u> | <u>1,042,902</u> | <u>804,654</u> | <u>1,111,256</u> |
| Fund balance at end of year..... | <u>\$1,214,631</u> | <u>\$1,231,421</u> | <u>\$1,322,871</u> | <u>\$1,042,902</u> | <u>\$ 804,654</u> |

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

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

- (i) Statement of net position see “Net Position by Component Last Ten Fiscal Years” (page A–86);
- (ii) Statement of activities see “Changes in Net Position Last Ten Fiscal Years” (page A–87);
- (iii) Fund balances see “Fund Balances of Governmental Funds Last Ten Fiscal Years” (page A–89);
and
- (iv) Changes in fund balances see “Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years” (page A–90).

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

| Calendar Year | Taxable Value (2) | % Change Over Prior Year | Fair Market/Market Value (3) | % Change Over Prior Year |
|----------------|-------------------|--------------------------|------------------------------|--------------------------|
| 2016 (1) | \$369,838,145 | 4.0 | \$571,866,872 | 3.9 |
| 2015 | 355,652,251 | 6.2 | 550,422,149 | 6.4 |
| 2014 | 334,926,134 | 1.9 | 517,076,668 | 2.2 |
| 2013 | 328,733,458 | 2.2 | 505,719,608 | 2.1 |
| 2012 | 321,597,942 | (3.7) | 495,249,281 | (4.3) |

- (1) Preliminary; subject to change. Fair Market/Market Value calculated by the Municipal Advisor.
(2) Taxable valuation includes redevelopment agency valuation. The estimated redevelopment agency valuation for Calendar Year 2016 was approximately \$36.99 million; for Calendar Year 2015 was approximately \$42.16 million; for Calendar Year 2014 was approximately \$42.26 million; for Calendar Year 2013 was approximately \$41 million; and for Calendar Year 2012 was approximately \$41.23 million.
(3) Estimated fair market values were calculated by dividing the taxable value of primary residential property by 55%, which eliminates the 45% exemption on primary residential property granted under the Property Tax Act.

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

Historical Summaries Of Taxable Values Of Property Of The City

| | Calendar Year | | | | | |
|------------------------------------------------------|----------------------|----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2016 | | 2015 | 2014 | 2013 | 2012 |
| | Taxable Value* | % of T.V. | Taxable Value | Taxable Value | Taxable Value | Taxable Value |
| Set by State Tax Commission (centrally assessed): | | | | | | |
| Total centrally assessed..... | \$ 5,482,967 | 1.5 % | \$ 5,514,042 | \$ 5,059,647 | \$ 5,118,752 | \$ 4,953,113 |
| Set by County Assessor (locally assessed): | | | | | | |
| Real property (land and buildings): | | | | | | |
| Primary residential..... | 246,924,000 | 66.8 | 238,052,097 | 222,628,431 | 216,316,405 | 212,240,525 |
| Secondary residential..... | 1,085,000 | 0.3 | 1,073,887 | 1,054,939 | 1,266,648 | 1,124,286 |
| Commercial and industrial..... | 89,000,000 | 24.1 | 83,666,594 | 75,817,539 | 75,167,587 | 74,327,029 |
| FAA (greenbelt)..... | 25,309 | 0.0 | 24,762 | 30,581 | 31,788 | 33,706 |
| Unimproved non FAA (vacant)... | 0 | 0.0 | 0 | 0 | 0 | 0 |
| Agricultural..... | 0 | 0.0 | 0 | 0 | 0 | 0 |
| Total real property..... | <u>337,034,309</u> | <u>91.1</u> | <u>322,817,340</u> | <u>299,531,490</u> | <u>292,782,428</u> | <u>287,725,546</u> |
| Personal property: | | | | | | |
| Primary mobile homes..... | 0 | 0.0 | 0 | 0 | 0 | 0 |
| Secondary mobile homes..... | 0 | 0.0 | 0 | 0 | 0 | 0 |
| Other business..... | 27,320,869 | 7.4 | 27,320,869 | 30,334,997 | 30,832,278 | 28,919,283 |
| SCME (1)..... | 0 | 0.0 | 0 | 0 | 0 | 0 |
| Total personal property..... | <u>27,320,869</u> | <u>7.4</u> | <u>27,320,869</u> | <u>30,334,997</u> | <u>30,832,278</u> | <u>28,919,283</u> |
| Total locally assessed..... | <u>364,355,178</u> | <u>98.5</u> | <u>350,138,209</u> | <u>329,866,487</u> | <u>323,614,706</u> | <u>316,644,829</u> |
| Total taxable value..... | <u>\$369,838,145</u> | <u>100.0 %</u> | <u>\$ 355,652,251</u> | <u>\$ 334,926,134</u> | <u>\$ 328,733,458</u> | <u>\$ 321,597,942</u> |
| Total taxable value (2)..... | <u>\$369,838,145</u> | | <u>\$ 355,652,251</u> | <u>\$ 334,926,134</u> | <u>\$ 328,733,458</u> | <u>\$ 321,597,942</u> |

* Preliminary; subject to change.

- (1) SCME (semi-conductor manufacturing equipment).
(2) Not including taxable valuation associated with SCME.

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

For a 10-year Fiscal Year history of the City's presentation of the taxable and estimated fair market valuation see "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016—Statistical Section—Revenue Capacity—Assessed/Taxable and Estimated Market Value of Taxable Property Last Ten Fiscal Years" (page A-93).

LEGAL MATTERS

Absence Of Litigation Concerning The 2017 Bonds

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

A non-litigation opinion issued by Stephen F. Noel, 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 2017 Bonds or such other documents as may be required in connection with the issuance and sale of the 2017 Bonds, or to comply with or perform their respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the 2017 Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the 2017 Bonds are issued, the legality of the purpose for which the 2017 Bonds are issued, or the validity of the 2017 Bonds or the issuance and sale thereof.

General

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

The employment of Bond Counsel is limited to the review of the transcripts of legal proceedings authorizing the issuance of the 2017 Bonds and to the issuance of the legal opinion, in conventional form, relating solely to the validity of the 2017 Bonds pursuant to such authority and the excludability of interest on the 2017 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 2017 Bonds in the OFFICIAL STATEMENT or otherwise.

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

TAX MATTERS

Tax Exemption

In the opinion of Blaisdell, Church & Johnson, LLC, Bond Counsel to the City interest on the 2017 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and constructed on the date of initial delivery of the 2017 Bonds, assuming the accuracy of the certifications of the City and continuing compliance by the City with the requirements of the Internal Revenue Code 1986. Interest on the 2017 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax (“AMT”); however, interest on 2017 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the 2015 Bonds.

Bond Counsel is also of the opinion that, under currently existing law, interest on the 2017 Bonds is exempt from Utah State individual income taxes.

The Internal Revenue Code of 1986, as amended (the “Code”), contains a number of requirements and restrictions which apply to the 2017 Bonds. The City has covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the 2017 Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2017 Bonds. Bond Counsel has assumed, without undertaking to determine or confirm, continuing compliance by the City with such requirements and restrictions in rendering its opinion regarding the tax-exempt status of interest on the 2106 Bonds.

Bond Counsel services have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the 2017 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 its opinion, Bond Counsel has relied upon the certified proceedings and other certificates of public officials furnished to it without undertaking to verify the same by independent investigation. Its examination has been limited to the foregoing as they exist or are in effect as of the date of issuance of the 2017 Bonds. Counsel’s opinion is limited to the matters expressly set forth therein, and expresses no opinion concerning any other matters.

The 2017 Bonds as Qualified Tax-Exempt Obligations. The 2017 Bonds are “qualified tax-exempt obligations” under Section 265(b)(3) of the Code and therefore the interest expense of a financial institution will not be subject to allocation to the interest on the 2017 Bonds under Section 265(b)(3) of the Code (but the interest on the 2017 Bonds will be subject to treatment as a financial institution preference item under Section 291 of the Code).

CERTAIN INVESTMENT CONSIDERATIONS

The purchase of the 2017 Bonds involves certain investment risks that are discussed throughout this OFFICIAL STATEMENT. No prospective purchaser of the 2017 Bonds should make a decision to purchase any of the 2017 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 2017 Bonds are payable from and secured by a pledge and assignment of Net Revenues from the System and moneys on deposit in the funds and accounts held by the Trustee under the Indenture. Future economic conditions, weather conditions, the demand for water services within the City and the surrounding areas, economic and employment trends and events, demographic changes, changes in federal and state policies and regulations, including environmental policies and regulations, and other factors may adversely affect the future financial condition of the System, and, consequently, the availability of Net Revenues. No assurance can be made that the Net Revenues of the System will be realized by the City in amounts sufficient to pay debt service on the 2017 Bonds when due.

Operation Of The System

In order for the City to make timely payment of the principal and interest requirements of the 2017 Bonds and to meet its other obligations under the Indenture, it will be necessary for the City to manage, operate and maintain the System in an efficient and economical manner that is consistent with prudent utility practice. The City is exempt from regulation by the Utah Public Service Commission but the operation of the System is subject to the requirements of various governmental rules and regulations and the System must be operated in compliance with those requirements. In the event that the System is not operated or is not capable of operation as required by the provisions of such governmental rules and regulations, the City may be subject to certain penalties.

To the extent the System develops operational problems, Operation and Maintenance Expenses may need to be reduced or rates for the System may need to be increased to produce sufficient Revenues unless other sources of funds are obtained. In the event that Revenues need to be increased for the continued operation of the System (and to pay debt service on the 2017 Bonds), it may be necessary to increase rates for the System. The City has covenanted in the Indenture that it will ensure that the rates for all services supplied by the System to all customers within or without the boundaries of the City when combined with other Revenues, shall be sufficient to pay the Operation and Maintenance Expenses for the System, and to provide Net Revenues for each Bond Fund Year which when added to Other Available Funds shall equal not less than 125% of the Aggregate Annual Debt Service Requirement for such Bond Fund Year plus an amount sufficient to fund the Debt Service Reserve Fund in the time, rate and manner specified in the Indenture; provided, however, that pursuant to State law such rates must be reasonable rates for the type, kind and character of the service rendered. Furthermore, the City may decide not make any rate increases due to political, feasibility or other concerns. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS—Rate Covenant” above.

Destruction Of The System

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

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

MISCELLANEOUS

Bond Ratings

S&P has assigned their underlying municipal bond rating of “AA” to the 2017 Bonds. An explanation of the rating may be obtained from S&P. The City has not directly applied to Fitch Ratings or Moody’s Investors Service for a rating on the 2017 Bonds.

Such rating does not constitute a recommendation by the rating agency to buy, sell or hold the 2017 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 2017 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 2017 Bonds.

Trustee

The obligations and duties of the Trustee are described in the Indenture and the Trustee has undertaken only those obligations and duties that are expressly set out in the Indenture. The Trustee has not independently passed upon the validity of the 2017 Bonds, the security therefor, the adequacy of the provisions for payment thereof or the exclusion from gross income for federal tax purposes of the interest on the 2017 Bonds. The Trustee may resign or be removed or replaced as provided in the Indenture. See “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE 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 2017 Bonds, timing of sale, taxable and tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the 2017 Bonds. The Municipal Advisor has read and participated in the drafting of certain portions of this OFFICIAL STATEMENT and has supervised the completion and editing thereof. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the OFFICIAL STATEMENT, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information, and the Municipal Advisor makes no guaranty or warranty respecting the accuracy and completeness of the OFFICIAL STATEMENT or any other matter related to the OFFICIAL STATEMENT.

Independent Auditors

The comprehensive annual financial report of the City as of June 30, 2016, included in this OFFICIAL STATEMENT, has been audited by Keddington & Christensen, LLC, Certified Public Accountants, Salt Lake City, Utah (“Keddington & Christensen”), as stated in their report in See “APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016”.

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

Additional Information

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

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

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

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

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

City of Washington Terrace, Utah

By: _____
Mark C. Allen, Mayor

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APPENDIX A

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WASHINGTON TERRACE, UTAH FOR FISCAL YEAR 2016

The comprehensive annual financial report of the City is contained herein. Copies of current and prior comprehensive annual financial reports are available upon request from the contact persons as indicated under “INTRODUCTION—Contact Persons” above.

The City’s financial statements for Fiscal Year 2017 must be completed under State law by November 30, 2017.

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

Financial Reporting. The Government Finance Officers Association of the United States and Canada (“GFOA”) have awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the 9th consecutive year, beginning with Fiscal Year 2007 through Fiscal Year 2015.

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

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

Budget. GFOA has presented a Distinguished Budget Presentation Award to the City for its annual budget for the 11th consecutive year, beginning with the Fiscal Year 2007 through Fiscal Year 2017.

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

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City of Washington Terrace

Est. 1958

Comprehensive Annual Financial Report

City of Washington Terrace
For the Fiscal Year Ended June 30, 2016

With
Independent Auditor's Report



5249 South 400 East
Washington Terrace, UT 84405
801.393.8681

www.washingtonterracecity.com

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City of Washington Terrace

County of Weber, State of Utah

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2016

Includes Internal Control, Compliance Reports, and
Supplemental Information

Presented by:

Finance Department

Shari' C. Garrett, Finance Director

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INTRODUCTORY

SECTION



October 18, 2016

The Honorable Mayor, Members of the City Council, and Citizens of the
City of Washington Terrace

Overview

The Comprehensive Annual Financial Report of the City of Washington Terrace City (“the City”) for the fiscal year ended June 30, 2016, is hereby submitted.

The Financial Statements have been prepared by the Washington Terrace City Department of Finance and Budget in accordance with the Generally Accepted Accounting Principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures, are the responsibility of the management of the City.

We believe the data, as presented, are accurate in all material respects and are presented in a manner that fairly sets forth the following aspects of the City:

- (1) the financial position of the governmental activities;
- (2) the business-type activities;
- (3) the discretely presented component unit;
- (4) each major fund;
- (5) the aggregate remaining fund information;
- (6) the respective changes in financial position; and
- (7) applicable cash flows.

In order to provide a reasonable basis for making these representations, the management of Washington Terrace City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this report is complete and reliable in all material respects.

All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Keddington & Christensen, an independent firm of Certified Public Accountants, has audited these basic financial statements and related notes. Their report is included herein. The goal of the independent audit was to provide reasonable assurance that the financial statements of Washington Terrace City Corporation for the fiscal year ended June 30, 2016, are free of material misstatements. This independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management.

City History

Washington Terrace is a bedroom community with a rich history dating back to the World War II era. In the 1940's, the United States Government began creating large housing projects to provide temporary housing for workers of the military facilities supporting the war effort. As part of a military housing project, Washington Terrace was created in 1942-43. This project created approximately 1,400 two-bedroom family homes in barrack style housing. During World War II, the Terrace Housing Project met the needs of many service men and women and war workers from many trades. At the time there was no thought of this project continuing beyond the war.

After World War II, residents began efforts to convert the surplus temporary housing project into a permanent community. Through painstaking planning efforts, residents negotiated with the Federal government to create a permanent community utilizing the temporary infrastructure and housing. It is estimated that the original construction cost of the temporary governmental project was about \$8,000,000.

The Washington Terrace Non-Profit Housing Corporation purchased the temporary housing project from the Federal Government on September 1, 1950, for \$2,250,000. On that day, the Housing Corporation paid a 10 percent down payment of



\$225,000 and assumed a mortgage note of \$2,025,000. From 1950 until its incorporation on December 12, 1958, the Housing Corporation operated the municipal needs of the community. The City has always been a leader in innovation and determination. Inspired by the founding residents, this community has never lacked great examples of vision and leadership.

The City operates under a council-manager form of government. Under this organizational structure, the Mayor and a five member Council appoint a city manager to act as the chief executive officer who oversees the daily operations of the City. The Council establishes policy and direction by enacting local legislation and adopting budgets; the city manager is responsible for implementing the Council's policies and direction. The Mayor is elected for a term of 4 years, while the Council is elected for 4 years with staggered terms.

The Mayor appoints Planning Commission members and alternates. The Planning Commission is a volunteer position appointed to 4 year staggered terms. The Commission's primary responsibilities are to review and provide a recommendation on new development plans in accordance to the direction established by Council, zoning changes, and the general plan.

The City provides many public services including: public safety (police, fire/EMS, animal control, and justice court); parks and open space, recreation and special events; culinary water,



sanitary sewer, refuse collection, and storm water services; streets and sidewalks; planning and zoning; and administrative services.

There are multiple overlapping taxing entities which results in the City's customers being subject to overlapping debt and taxation. Additionally, the City established in 1987 two redevelopment project areas known as the Southeast Project Area and Central Business District Project Area. These redevelopment projects were created to promote economic development growth that focus on job creation, increased economic activity, and ultimately broaden the economic base to support governmental services. Redevelopment Agencies are chartered under Utah law as separate legal governmental entities. This document includes reports of the Agency as the Mayor and City Council act as the appointed board members.

This document includes financial statements of all funds responsible for these activities, organizations, and functions that are related to the City and are controlled by or dependent upon the City's governing body, the Mayor and City Council.

Local Economy

Population

The City has had relative diminutive population growth since 2000 with population growth of 7.1 percent or 606 people or from 8,551 to 9,157 in 2015. Future population estimates indicate that the City will have a “build out” population of approximately 12,000 – 13,000 people.

Major Industries

Healthcare is the largest industry in the City. Ogden Regional Medical Center (since 1977) continues to be the City’s largest employer and taxpayer representing an estimated 39% of the City’s employment and 12.7% of the total taxable assessed valuation. Other healthcare businesses include assisted living, retirement and rehabilitation centers, surgical centers, and other healthcare professional office. This business sector, located in the southeast region of the City, continues to grow and develop as a regional healthcare center. Other predominate commercial industries in the City include professional office and multifamily residential housing developments.

Assessed Property Value

The City’s total assessed value is small compared to other cities of similar size at \$355,652,251 and the total direct tax rate is relatively high at 0.002950 compared to other cities within Weber County. Assessed taxable value increased by 6.2 percent from fiscal year 2015. Said increase is attributed to new/renovated commercial developments and an improved housing market.

Since 2007, assessed taxable value has increased by 32.4 percent or \$87 million. Like perhaps many areas, the City experienced its largest increase in assessed value in 2008 with values increasing by 39 percent or \$35,783,264. Said growth was attributed to an increase in market values and new commercial growth and development in the Southeast Redevelopment area. Values reached their pinnacle in 2016 at \$355,652,251. Prospects of new growth are leaving the City optimistic about the near term impacts on taxable values.

Major Revenues

The City's major operating revenues for governmental activities are typical of other Utah cities and are composed of sales and use taxes, charges for services, property taxes, franchise taxes, and grants. In 2016, total governmental activity revenues of \$6,753,109 a decreased by 0.70 percent or \$48,089.

The greatest increase in value was reported in other tax revenues increasing 3.2 percent or \$53,162. The greatest decrease was reported in capital grants and contributions decreasing by 9.4 percent or \$181,636. Capital grants and contributions represent the largest program revenue source at \$1,758,196 or 26 percent of total governmental activity revenue—other taxes represents 25.6 percent, property taxes 23.7 percent, charges for services 19.8 percent, operating grants and contributions 4.4 percent and other revenue 0.5 percent.

Economy

According to the State of Utah Department of Workforce Services, the Weber County (the county for which the City resides) economy in early 2015 started to pick up and hasn't slowed down since. Employment is growing at a rate not seen in more than 10 years and is very wide-spread across all industries. Employment expansion through March 2016 posted 3.5 percent year-over-year growth adding 3,474 new jobs. Wage growth is broad-based, and taxable sales growth exceeded 4 percent for the 17th consecutive quarter with particular strength in retail markets. Unemployment insurance claims are back to pre-recession levels. Overall, the indicators are affirming that the long-term trajectory of economic performance for the county is very positive.

For additional information, refer to the Statistical Section, "Revenue Capacity" and "Demographic and Economic Information" of this report.

Budgetary Control

Budgetary control of each fund is maintained at the department level. Department directors play an active and important role in controlling the budget. The City Council may amend the budget by motion during the fiscal year; however, increases in overall fund budgets require a public hearing. Enterprise fund budgets may be increased by the City Council without a public hearing. Expenditures may not exceed appropriations at the department level.

Regional Overview



The City of Washington Terrace is a 2 square mile suburban community located along the Wasatch Front in Weber County, Utah. Weber County, population 238,519, is home to 22 communities of cities, towns, and unincorporated areas. The City is located 30 miles north of the capital city Salt Lake City, 40 miles from the Salt Lake International Airport, which can be easily reached by nearby Interstate 15 or the Front Runner Rail System. Additionally, Interstate 84 runs adjacent to the southern City boundaries serving as a main easterly corridor.



Its location near Ogden City offers excellent local access to commerce, education, recreation,

transportation, healthcare, and other services. Washington Terrace is home to Ogden Regional Medical Center, Weber School District, and Bonneville High School. Within an 8 mile radius of the City is Hill Air Force Base, Internal Revenue Service, Weber State University, Ogden Hinkley Airport, and McKay Dee Hospital. The City of Washington Terrace is a proud residential community that focuses on preserving the community as a great place to live.



Northern Utah and the Weber County region offers excellent recreational opportunities that attract visitors around the world. During the 2002



Olympics Winter Games the Weber County region hosted a number of events including the downhill, combined races, and super-G events. The local area offers a wide-variety of high adventure recreation such as: skiing and snowboarding, skydiving, hiking, biking and cycling, climbing and bouldering, and kayaking and paddle sports.

Other regional recreational opportunities include classic recreation such as golf, swimming, home to the Ogden Marathon, and local sports teams and leagues.

All of these recreational opportunities are within close proximity to the City—within 30 minutes or 20 miles.

Long-Term Financial Planning

The City adopts a five-year budget document that anticipates revenues and expenses over a five year period. This multi-year budget is a valuable financial planning tool that encourages a forward thinking approach to programs and resource allocation.

Additionally, each year the City conducts a comprehensive assessment of existing facilities and a plan enacted to renovate, repair, and replace existing deficiencies and new growth demands throughout the City. The areas of classification assessed in the update are as follows: road seal projects, city fleet replacement, building and miscellaneous projects, culinary water, sanitary sewer, and storm drain projects, park projects, road overlay and reconstruction projects. The Plan projects a 20 year completion date. Completion of the projects identified in the Plan are subject to funding availability as identified in and an integral part of the City's multi-year budgeting process. The City has committed to actively pursue grant funding to assist with offsetting project costs.

Financial Policies

The City recognizes its duty to its citizens and other interested parties to vigilantly account for public funds and resources. The City has adopted financial policies and objectives establishing guidelines for controls, fiscal accountability, full disclosure, and planning. These financial management policies provide a basic framework for the overall fiscal management of the City. The Policies represent a foundation to address changing circumstances and conditions and to assist in the decision making process. These Policies represent guidelines for evaluating both current and future activities including, but not limited to: general revenue management, user fee cost recovery goals, capital financing and debt management, recession/net revenue shortfall plan, contracting and purchasing, and investments.

Awards and Acknowledgements

According to the Government Finance Officers Association of the United States and Canada (GFOA) the Certificate of Achievement for Excellence in Financial Reporting Program (CAFR Program) was established in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles and prepare a comprehensive annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. The goal of the program is not to assess the financial health of the governments, but rather to ensure that users of their financial statements have the information they need to do so themselves. This Certificate is valid for a period of one year.

We believe our current report conforms to Certificate of Achievement Program requirements and goals. We are submitting it to the GFOA to determine its eligibility for recognition. The City has been a successful recipient of this prestigious award consecutively since 2007.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of management. We appreciate Keddington & Christensen, Certified Public Accountants, for their professional services and assistance. We thank the members of the City Council and the Mayor for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,



Tom Hanson, City Manager



Shari' C. Garrett, Finance Director



Government Finance Officers Association

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

Presented to

**City of Washington Terrace
Utah**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

MAYOR AND CITY COUNCIL



Mayor Mark C. Allen

170 West 5600 South
Washington Terrace, UT 84405
Email: mayormark41@yahoo.com



Council Member Blair Brown

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Council Member Robert Jensen

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MAYOR AND CITY COUNCIL



Council Member Scott Barker

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Council Member Scott J. Monsen

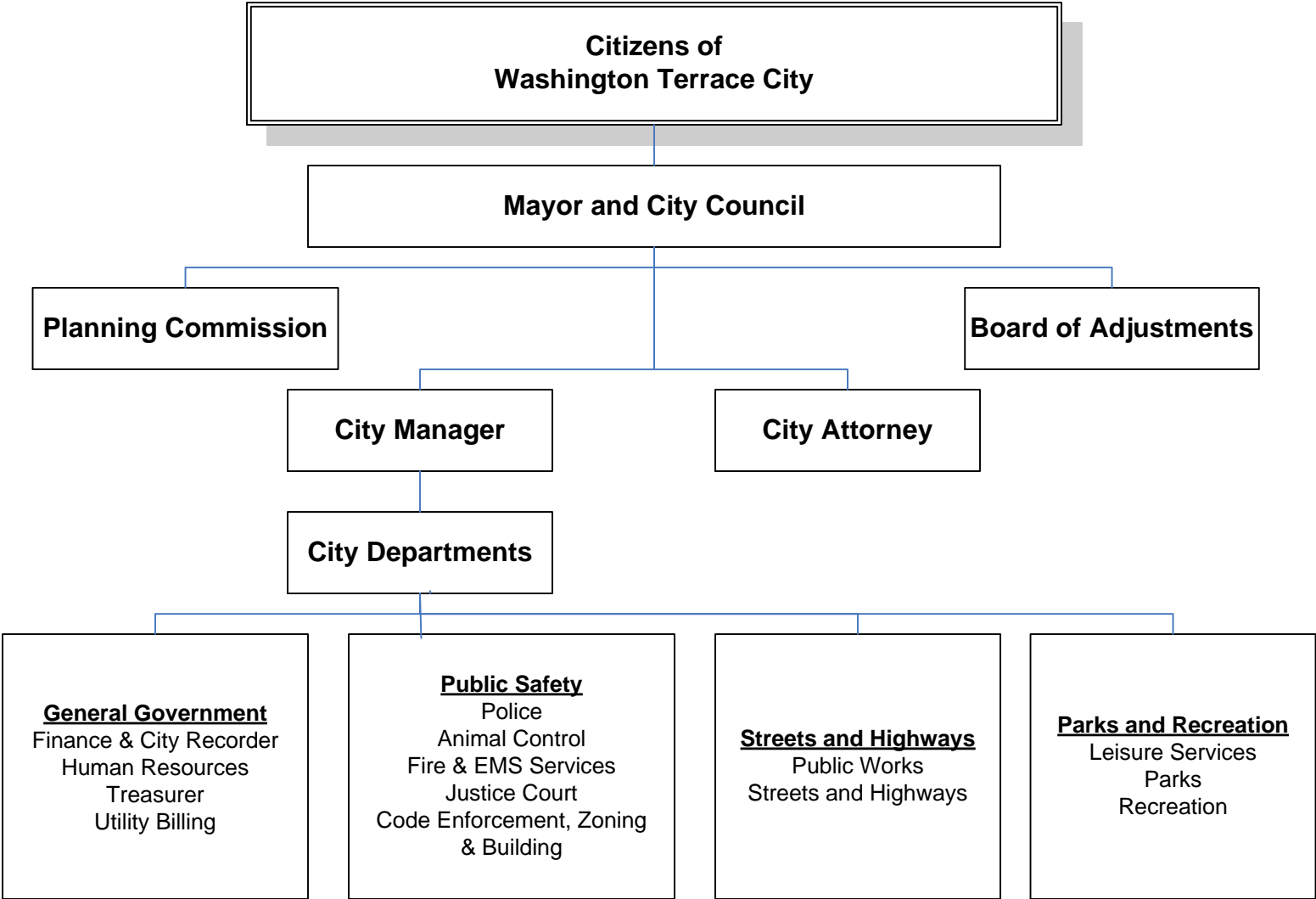
4354 South 175 East
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Council Member Val D. Shupe

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Email: vshupe09@gmail.com

City of Washington Terrace Organizational Structure





FINANCIAL

SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of City Council
City of Washington Terrace
Washington Terrace, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington Terrace as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 the City of Washington Terrace as of June 30, 2016, and the respective changes in

financial position, and, where applicable, cash flows thereof for the year then ended in conformity 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, budgetary comparison information, schedule of proportionate share of the net pension liability, and the schedule of contributions and the related notes as noted on 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 an opinion on the financial statements that collectively comprise the City of Washington Terrace's financial statements basic financial statements. The introductory section, budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2016 on our consideration of the City of Washington Terrace's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington Terrace City's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

October 13, 2016

**MANAGEMENT DISCUSSION
&
ANALYSIS**

The management of the City of Washington Terrace presents to the readers of its financial statements this narrative information to facilitate a better understanding of the City's financial position and results of operations for fiscal year ended June 30, 2016. Readers are encouraged to consider all sections of this report to gain a more complete knowledge of the City's financial performance.

FINANCIAL HIGHLIGHTS

Governmental Activities

At year end, Governmental activities or *tax supported activities* total assets were \$36,752,638, deferred outflow of resources \$274,480, liabilities \$3,803,708, and deferred inflows of resources were \$1,053,103. The assets and deferred outflow of resources of Governmental activities exceeded its liabilities and deferred inflows by \$32,170,307 (net position). Of this amount, \$26,642,581 is net investment in capital assets; \$689,763 is restricted; and \$4,837,963 is unrestricted.

The City's Governmental funds (General, Redevelopment Agency, Capital Projects, and Debt Service Funds) reported a combined ending fund balance of \$5,655,771, a decrease of 5.6 percent or \$51,547 when compared to the prior year's total ending fund balances of \$5,472,532. Of the combined total fund balance in 2016, \$863,933 is unassigned; \$1,008,246 is assigned for redevelopment activities and related projects; \$3,093,829 is committed for capital requirements; and \$689,763 is restricted. The fund balances of the General Fund at June 30, 2016, totaled \$1,214,631, down 1.4 percent or \$16,790 from 2015. Of said balance, \$350,698 is restricted primarily for Class "C" road requirements and \$863,933 is unassigned.

Business-type Activities

At year end, Business-type Activities or *fee supported activities* total assets were \$17,752,613 and liabilities \$2,385,523. The assets of Business-type Activities exceeded its liabilities by \$15,367,090 (net position). Of this amount, \$8,957,657 is net investment in capital assets, \$36,523 is restricted, and \$6,343,731 is unrestricted.

Government-wide

The Primary Government reported total assets of \$54,505,251, deferred outflow of resources \$274,480, liabilities of \$6,189,231, and deferred inflows of resources \$1,053,103 resulting in a total net position of \$47,537,397. Total net position consists of net investment in capital assets of \$35,629,417, \$726,286 restricted, and \$11,181,694 unrestricted.

Long-term Debt

Long-term debt outstanding for the Primary Government decreased by 11.7 percent or \$707,896 compared to the prior year. Governmental activities long-term debt outstanding decreased by 11.8 percent or \$409,529, with amounts due within one year of \$563,564. Business-type Activities long-term debt outstanding decreased by 11.5 percent or \$298,367, with total amounts due within one year of \$291,547.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements that include three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains other supplementary information that will help the reader gain a more in depth understanding of the City's financial condition.

The government-wide financial statements are comprised of: 1) the Statement of Net Position (SNP), and 2) the Statement of Activities (SA). These two statements provide a broad overview of the City's finances.

The SNP reports the overall net position of the City and is measured as the difference between 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources. Over time, increases and decreases in net position are one indicator of the City's overall financial position as improving or declining.

The SA helps identify functions of the City that are primarily supported by taxes and other General Governmental activity revenue in conjunction with other functions that are intended to recover all or most of their costs through user fees and charges (Business-type activities). The SA shows the changes to net position that occurred during the most recent fiscal year. These changes are recorded on an accrual basis when the underlying event that causes the change occurs, regardless of when the cash transaction takes place. One example is the next debt interest payment when the fiscal year ends in between interest payments. The SA shows an additional interest expense for the time period between the last interest payment and the end of the fiscal year.

Both of the government-wide financial statements distinguish between activities that are largely supported by taxes and intergovernmental revenues (Governmental activities) and those whose operations are entirely or largely financed by user charges and fees (Business-type activities). Governmental activities provided by the City include: General Governmental (legislative, executive, non-departmental, and government buildings); Public Safety (police, fire, inspections & planning, and animal control), Highways and Public Works and Parks and Recreation. Business-type activities include Water, Sewer, Storm Water, and Refuse collection. The government-wide financial statements include not only Washington Terrace City itself (the Primary Government), but also the legally separate Washington Terrace Redevelopment Agency. This entity (a component unit) is financially accountable to the City and is presented separately from the Primary Government itself; but for all practical purposes function as a part of the City and are therefore blended as an integral part of the Primary Government.

Business-type activities provided by the City include: culinary water distribution, sanitary sewer collection, refuse collection and disposal, and storm water management services.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the City's major funds. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required to exist by law to demonstrate compliance with financial related requirements, while other funds are established internally to maintain control over a particular activity.

There are three fund types in which all individual fund classifications can be categorized: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds – These fund types are essentially the same functions reported as Governmental activities in the government-wide financial statements. Governmental funds are presented using the modified accrual basis of accounting that focuses on near-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the fiscal year. Governmental fund types include: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

Proprietary Funds – There are two types of proprietary funds: enterprise funds and internal service funds. These funds operate much like private-sector companies. These funds, like the government-wide statements, provide both long-term and short-term financial information. Enterprise Funds are the same as Business-type activities, but the financial statements provide more detailed information, such as cash flows. Like government-wide statements, proprietary fund statements are presented using the full accrual basis of accounting.

The City utilizes enterprise funds to account for its fee based services that include: culinary water, sanitary sewer, storm water, and refuse. Internal Service Funds report activities that provide internal services and supplies for the City's other programs and activities. The City has no Internal Service Funds.

Fiduciary Funds - Used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. The City would be responsible for ensuring that the assets reported in these funds are used for their intended purposes. There are four fiduciary fund types: Pension (and other employee benefits) Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Agency Funds. The City has no Fiduciary Funds.

Differences between Government-Wide and Fund Statements

Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements. Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements. Those revenues are deferred on the governmental fund statements. Government-wide statements provide users with a broad overview of the City's finances, similar to a private-sector business.

Notes to the Financial Statements

The notes found within these financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements and the City's financial position or the inflow and outflows of resources. The notes apply to both government-wide financial statements and the fund financial statements.

Required Supplementary Information (RSI)

Following the Basic Financial Statements are budgetary comparison schedules for major funds with legally adopted budgets and schedules on the funded status and employer contributions for the City's pension liability. RSI further supports the information contained in the basic financial statements.

Statistical Section

This section provides up to ten years of financial, economic, demographic, and operating information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As discussed in the Overview of the Financial Statements, total net position may over time serve as a useful tool to determine if the City's overall financial position is improving or declining. For fiscal years ended 2015 and 2016, assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources for Governmental and Business-type activities. The Primary Government's total net position increased by 1.4 percent or by \$339,679; increasing from \$47,202,415 in 2015 to \$47,537,397 in 2016.

Net Position

As illustrated in the following "Comparative Summary of Net Position", Capital Assets represent the largest asset type for Governmental and Business-type activities for all comparative years. Capital Assets include: land, construction in process, buildings and improvements, infrastructure, and machinery and equipment. Capital Assets are not resources available for spending, nor can they be readily liquidated to satisfy current liabilities. In 2016, Capital Assets represented 80.6 percent or \$29,606,317 of total Governmental activity total assets, 63.6 percent or \$11,281,804 of total for Business-type activities, and 75.0 percent or \$40,888,121 of total assets for the Primary Government.

Long-term liabilities outstanding represent the largest liability type for Governmental and Business-type activities for all comparative years. Long-term liabilities outstanding include: bonds, notes, and leases outstanding and compensated absences. In 2016, Long-Term Liabilities (excluding deferred outflow of resources) for the Primary Government represented 80.8 percent or \$5,003,257 of total liabilities. When compared to 2015, long-term liabilities outstanding for the Primary Government decreased by 17.5 percent or \$1,057,710. Total liabilities outstanding decreased by 12.8 percent or \$911,493.

CITY OF WASHINGTON TERRACE, UT
MANGEMENT DISCUSSION & ANALYSIS
Fiscal Year Ended June 30, 2016

For Governmental activities, long-term liabilities represented 78.9 percent or \$2,999,836 of total liabilities and 84.0 percent or \$2,003,421 for Business-type activities.



CITY OF WASHINGTON TERRACE
Comparative Summary of Net Position
Primary Government
For Fiscal Year Ended June 30

| | Governmental Activities | | Business-Type Activities | | Total Activities | | % Change From Prior Year |
|--------------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|--------------------------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | |
| Current and Other Assets | \$ 7,707,745 | \$ 7,146,321 | \$ 6,167,479 | \$ 6,470,809 | \$13,875,224 | \$13,617,130 | -1.9% |
| Capital Assets | 30,249,017 | 29,606,317 | 11,550,992 | 11,281,804 | 41,800,009 | 40,888,121 | -2.2% |
| Total Assets | 37,956,762 | 36,752,638 | 17,718,471 | 17,752,613 | 55,675,233 | 54,505,251 | -2.1% |
| Deferred Outflow of Resources | 87,072 | 274,480 | - | - | 87,072 | 274,480 | |
| Current and Other Liabilities | 528,754 | 745,605 | 131,425 | 382,102 | 660,179 | 1,127,707 | 70.8% |
| Long-term Liabilities | 3,847,210 | 3,058,103 | 2,593,335 | 2,003,421 | 6,440,545 | 5,061,524 | -21.4% |
| Total Liabilities | 4,375,964 | 3,803,708 | 2,724,760 | 2,385,523 | 7,100,724 | 6,189,231 | -12.8% |
| Deferred Inflows of Resources | 1,520,304 | 1,053,103 | - | - | 1,520,304 | 1,053,103 | -30.7% |
| Net Position: | | | | | | | |
| Net Investment in Capital Assets | 26,868,331 | 26,642,581 | 8,957,657 | 8,986,836 | 35,825,988 | 35,629,417 | -0.5% |
| Restricted | 1,187,098 | 689,763 | 29,833 | 36,523 | 1,216,931 | 726,286 | -40.3% |
| Unrestricted | 4,092,137 | 4,837,963 | 6,006,221 | 6,343,731 | 10,098,358 | 11,181,694 | 10.7% |
| Total Net Position | \$32,147,566 | \$32,170,307 | \$14,993,711 | \$15,367,090 | \$47,141,277 | \$47,537,397 | 0.8% |

Table 1 – Comparative Summary of Net Position

Net Investment in Capital Assets represents the largest component of the City’s net position for the Primary Government representing 75.0 percent or \$35,629,417 in 2016. These assets reflects the City’s investment in capital assets less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to the City’s customers and therefore, are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets cannot be liquidated or easily liquidated to repay these liabilities. Net Investment in Capital Assets for the Primary Government decreased by 0.5 percent or \$196,571 compared to the prior year.

Restricted Net Position represents assets that are subject to external restrictions on how they may be used. These restrictions include: Class C road funds, debt service reserves, and grants.

Restricted net position for the Primary Government decreased by 40.3 percent or \$490,645 in 2016. Restricted net position for the Primary Government represents \$726,286 or 1.5 percent of total net position.

Unrestricted Net Position represents assets that may be used at the City’s discretion to meet its ongoing financial obligations. Unrestricted net position increased by 13.8 percent or \$1,351,776 in 2016. Unrestricted net position for the Primary Government represents \$11,181,694 or 23.5 percent of total net position.

Changes in Net Position

Primary Government

As illustrated in the following Table 2, “Comparative Changes in Net Position”, the Primary Government’s net ending position increased by 1.4 percent or \$664,560 from the prior year. Total activity revenue increased by 0.4 percent or \$36,793. Capital Grants and Contributions experienced the largest dollar value change from the prior year decreasing by 3.8 percent or \$74,136 from 2015.

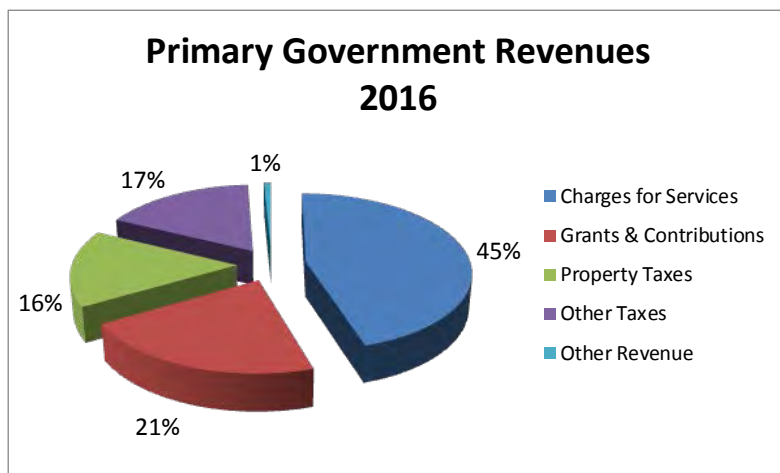


Figure 1 – Primary Government Revenues as a Percentage of Total

Total program expenses increased by 29.6 percent or \$2,253,087 from 2015. Said increase was largely due to one-time capital projects for Highways and Public Works. Highways and Public Works experienced the largest dollar value and percent change from the prior year-increasing by \$1,460,938 or 56.7 percent. Public Safety experienced the greatest decrease in dollar value decreasing \$47,001 or 4.1 percent.

CITY OF WASHINGTON TERRACE, UT
MANAGEMENT DISCUSSION & ANALYSIS
Fiscal Year Ended June 30, 2016

As shown in Figure 1, Charges for Services of \$4,609,046 continue to be the largest revenue source representing 45.2 percent of total revenues compared \$4,606,610 or 45.4 percent in 2015.

Grants & Contributions represent the second largest revenue source for the Primary Government representing 18.4 percent or \$1,878,943. Grants and Contributions decreased by 3.8 percent or \$74,136 in 2016. Other Taxes and Property Taxes closely follow Grants & Contributions representing 16.9 and 15.7 percent or a combined \$3,326,000 of total revenues.

| CITY OF WASHINGTON TERRACE | | | | | | | |
|--------------------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|-------------------------|---------------------|---------------------------------------------|
| Comparative Changes in Net Position | | | | | | | |
| Primary Government | | | | | | | |
| For Fiscal Year Ended June 30 | | | | | | | |
| | Governmental Activities | | Business-Type Activities | | Total Activities | | % Change From Prior Year |
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | |
| Revenues | | | | | | | |
| Program Revenues: | | | | | | | |
| Charges for Services | \$ 1,303,058 | \$ 1,335,822 | \$ 3,303,552 | \$ 3,273,224 | \$ 4,606,610 | \$ 4,609,046 | 0.1% |
| Operating Grants and Contributions | 278,869 | 296,953 | - | - | 278,869 | 296,953 | 6.5% |
| Capital Grants and Contributions | 1,939,832 | 1,758,196 | 13,247 | 120,747 | 1,953,079 | 1,878,943 | -3.8% |
| General Revenues: | | | | | | | |
| Property Taxes | 1,591,528 | 1,598,906 | - | - | 1,591,528 | 1,598,906 | 0.5% |
| Other Taxes | 1,673,932 | 1,727,094 | - | - | 1,673,932 | 1,727,094 | 3.2% |
| Other | 13,979 | 36,138 | 35,245 | 42,955 | 49,224 | 79,093 | 60.7% |
| Total Revenues | 6,801,198 | 6,753,109 | 3,352,044 | 3,436,926 | 10,153,242 | 10,190,035 | 0.4% |
| Expenses | | | | | | | |
| Program Expenses: | | | | | | | |
| General Government | 840,591 | 1,268,508 | - | - | 840,591 | 1,268,508 | 50.9% |
| Public Safety | 1,153,802 | 1,106,801 | - | - | 1,153,802 | 1,106,801 | -4.1% |
| Highways & Public Works | 2,574,589 | 4,035,527 | - | - | 2,574,589 | 4,035,527 | 56.7% |
| Parks & Recreation | 261,500 | 352,265 | - | - | 261,500 | 352,265 | 34.7% |
| Interest on Long-term Debt | 116,935 | 118,645 | - | - | 116,935 | 118,645 | 1.5% |
| Water Services | - | - | 951,617 | 1,290,998 | 951,617 | 1,290,998 | 35.7% |
| Sewer Services | - | - | 965,234 | 924,553 | 965,234 | 924,553 | -4.2% |
| Refuse Services | - | - | 436,185 | 448,900 | 436,185 | 448,900 | 2.9% |
| Storm Water Services | - | - | 301,513 | 308,856 | 301,513 | 308,856 | 2.4% |
| Total Expenses | 4,947,417 | 6,881,746 | 2,654,549 | 2,973,307 | 7,601,966 | 9,855,033 | 29.6% |
| | | | | | | | 0.0% |
| Increase in Net Position | | | | | | | |
| Before Transfers | 1,853,781 | (128,637) | 697,495 | 463,619 | 2,551,276 | 3,248,771 | 27.3% |
| Transfers | 91,106 | 90,240 | (91,106) | (90,240) | - | - | 0.0% |
| Change in Net Position | 1,944,887 | (38,397) | 606,389 | 373,379 | 2,551,276 | 339,679 | -86.7% |
| Net Position - Beginning (as restated) | 30,202,679 | 32,208,704 | 14,387,322 | 14,993,711 | 44,590,001 | 47,202,415 | 0.0% |
| Net Position - Ending | \$ 32,147,566 | \$32,170,307 | \$14,993,711 | \$15,367,090 | \$47,141,277 | \$47,537,397 | 0.8% |

Table 2- Comparative Changes in Net Position

As shown in Figure 2, Highways and Public Works continue to be the largest expense activity representing \$4,035,527 or 40.9 percent of total revenues in 2016 compared to \$2,574,589 or 33.9 percent in 2015.

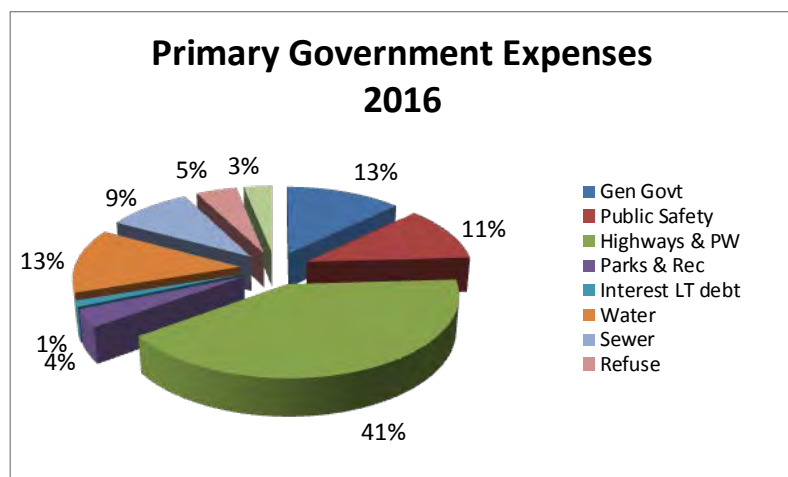


Figure 2 – Primary Government Expenses as a Percentage of Total

Water represents the second largest expense activity for the Primary Government representing \$1,290,998 or 13.1 percent. Water program expenses have increased by \$339,381 or 35.7 percent from prior year. Said increase is largely attributed to one-time water meter replacements.

Governmental Activities

Ending net position for Governmental activities of \$32,170,307 reported a decrease of 3.4 percent or \$38,397 compared to the prior year.

Total activity revenue decrease by 0.9 percent or \$48,089 primarily attributed to a decrease in reported Capital Grants and contributions. Capital Grants and Contributions experienced the largest component change from the prior year decreasing by 9.4 percent or \$181,636. Capital Grants and Contributions represent 26.0 percent or \$1,758,196 of total Governmental revenues.

Total program expenses increased by 39.1 percent or \$1,934,329 largely due to one-time capital projects for Highways and Public Works. Highways and Public Works experienced the largest component change from the prior year increasing by 56.7 percent or \$1,460,938.

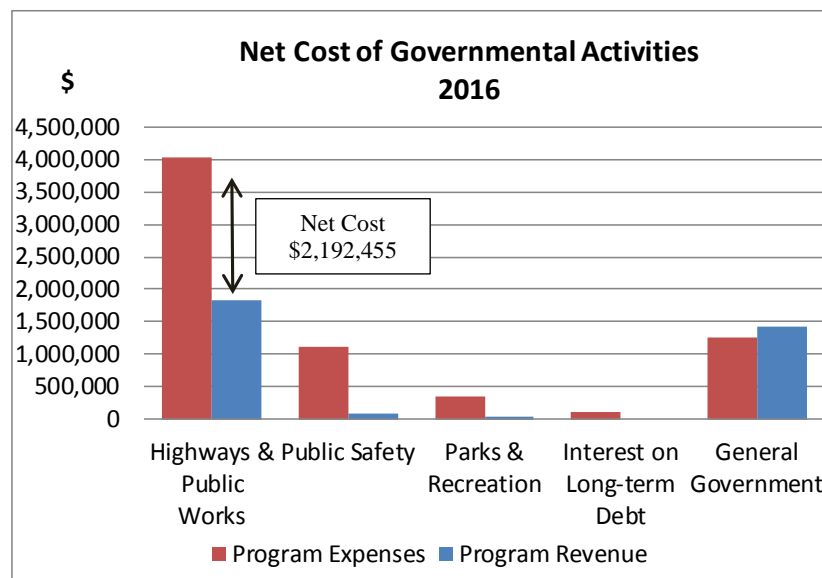
The following Table 3 and Figure 3, “Net Cost of Governmental Activities”, illustrates each Governmental program’s ability to rely on self-generated revenues to cover its related program expenses. General revenues including property tax, sales tax, and franchise taxes cover the remaining \$3,490,775 net program deficit.

CITY OF WASHINGTON TERRACE
Net Cost of Governmental Programs
For Fiscal Year Ended June 30

| Program | Program Expenses | | Less Program Revenues | | Net Program Cost | |
|--------------------------------------|---------------------|---------------------|-----------------------|---------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Highways & Public Works | \$ 2,574,589 | \$ 4,035,527 | \$ 2,277,021 | \$ 1,843,072 | \$ (297,568) | \$ (2,192,455) |
| Public Safety | 1,153,802 | 1,106,801 | 84,743 | 84,929 | (1,069,059) | (1,021,872) |
| Parks & Recreation | 261,500 | 352,265 | 42,819 | 43,993 | (218,681) | (308,272) |
| Interest on Long-term Debt | 116,935 | 118,645 | - | - | (116,935) | (118,645) |
| General Government | 840,591 | 1,268,508 | 1,117,176 | 1,418,977 | 276,585 | 150,469 |
| Total Governmental Activities | \$ 4,947,417 | \$ 6,881,746 | \$ 3,521,759 | \$ 3,390,971 | \$ (1,425,658) | \$ (3,490,775) |

Table 3 – Net Cost of Governmental Activities

General Government, representing 18.4 percent of total Governmental programs, had the greatest ability to generate revenues to support its program expenses. Program revenues generated were \$1,418,977 and expenses were \$1,268,508 resulting in a program surplus of \$150,469.



Highways & Public Works, the largest program representing \$4,035,527 or 58.6 percent of total program expenses, had the lowest ability to generate revenues to support its program expenses. Program revenues of \$1,843,072 resulted in a program deficit of \$2,192,455.

Figure 3 – Net Cost of Governmental Activities

Business-Type Activities

Ending net position for Business-type activities of \$15,367,090 reported an increase of 2.5 percent or \$373,379 when compared to the prior year.

Total revenue increased by 2.5 percent or \$84,882 largely due to Capital Grants and Contributions. Capital Grants and Contributions experienced the largest component value change from the prior year increasing \$107,500.

Total program expenses increased by 12.0 percent or \$318,758 associated with one-time water operating costs. Water services experienced the largest component change from the prior year increasing 35.7 percent or \$339,381.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As illustrated in Table 4, “Comparative Summary of Capital Assets”, the City’s investment in capital assets for the Primary Government totaled \$40,888,121 (net of accumulated depreciation) a 2.2 percent or \$911,888 decrease from the prior year.

Capital Assets are categorized by five major groups: Land, Construction in Process, Buildings & Improvements, Machinery & Equipment, and Infrastructure. The greatest change in value was Construction in Process decreasing from \$2,769,872 to \$146,044 or a change of \$2,623,828. Building & Improvements reported the greatest increase in value (net of accumulated depreciation) moving from \$2,896,362 to \$4,664,924 or a change for \$1,768,562.

Major capital asset additions for 2016 were:

- Adams Avenue Road Reconstruction - *\$4,406,429*
- Adams Avenue Tank Seismic Upgrade - *\$195,070*

CITY OF WASHINGTON TERRACE
Comparative Summary of Capital Assets
Primary Government
For Fiscal Year Ended June 30

| Capital Assets | Governmental Activities | | Business-Type Activities | | Total Activities | | % Change From Prior Year |
|------------------------------------------------------|-------------------------|--------------|--------------------------|--------------|------------------|--------------|--------------------------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | |
| Land | \$ 9,420,402 | \$ 9,420,402 | \$ 116,813 | \$ 116,813 | \$ 9,537,215 | \$ 9,537,215 | 0.0% |
| Construction in process | 2,760,898 | 118,159 | 8,974 | 27,885 | 2,769,872 | 146,044 | -94.7% |
| Buildings & Improvements | 2,896,362 | 3,408,945 | - | 1,255,979 | 2,896,362 | 4,664,924 | 61.1% |
| Machinery & Equipment | 1,105,721 | 621,920 | 381,405 | 387,815 | 1,487,126 | 1,009,735 | -32.1% |
| Infrastructure | 14,065,634 | 16,036,891 | 11,043,800 | 9,493,312 | 25,109,434 | 25,530,203 | 1.7% |
| Total Assets, net of accumulated depreciation | ##### | ##### | ##### | ##### | ##### | ##### | -2.2% |

Table 4 – Comparative Summary of Capital Assets

Additional information on Capital Assets can be found in Note 5 of the Financial Statements.

Long-Term Debt

The State of Utah mandates a general obligation debt limit not to exceed 4 percent of the City’s total assessed value. The City’s general obligation indebtedness of \$1,802,000 is below the statutory limit.

As illustrated in the following table, “Comparative of Debt Outstanding”, the greatest decrease in debt outstanding for Governmental activities was refunding the \$2,085,000 of General Obligation Refunding Bonds Series 2005 and the issuing of \$1,802,000 of General Obligation Refunding Bonds Series 2015 resulting in a combined decrease of General Obligation debt outstanding of \$283,000.

Governmental activities total debt outstanding of \$3,058,103 reported an 11.8 percent or \$409,529 decrease from prior year. Business-type activities total debt outstanding of \$2,294,968 reported an 11.5 percent or \$298,367 decrease from prior year. Total outstanding debt for the Primary Government of \$5,353,071 is down 11.7 percent or \$707,896 from the prior year.

Additional information on Long-Term Debt can be found in Notes 7-9 of the Financial Statements.

**CITY OF WASHINGTON TERRACE
Comparative of Debt Outstanding
Primary Government
For Fiscal Year Ended June 30**

| Debt Outstanding | Governmental Activities | | Business-Type Activities | | Total Activities | | % Change From Prior Year |
|----------------------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|--------------------------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | |
| Compensated Absences | \$ 86,946 | \$ 94,367 | \$ - | \$ - | \$ 86,946 | \$ 94,367 | 8.5% |
| Capital Lease | 220,000 | 177,853 | - | - | 220,000 | 177,853 | -19.2% |
| General Obligation Ref Ser05 Bonds | 2,085,000 | - | - | - | 2,085,000 | - | -100.0% |
| General Obligation Ref Ser15 Bonds | - | 1,802,000 | - | - | - | 1,802,000 | |
| Utility Revenue Bonds Ser10A | - | - | 1,385,000 | 1,175,000 | 1,385,000 | 1,175,000 | -15.2% |
| Utility Revenue Bonds Ser10B | 218,202 | 207,253 | 383,798 | 365,747 | 602,000 | 573,000 | -4.8% |
| Utility Revenue Bonds Ser10C | 256,151 | 243,297 | 444,849 | 421,703 | 701,000 | 665,000 | -5.1% |
| Sales & Excise Tax Revenue Bonds Ser13 | 601,333 | 533,333 | 300,667 | 266,667 | 902,000 | 800,000 | -11.3% |
| Bond Premium | - | - | 79,021 | 65,851 | 79,021 | 65,851 | -16.7% |
| Total Debt Outstanding | \$ 3,467,632 | \$ 3,058,103 | \$2,593,335 | \$2,294,968 | \$ 6,060,967 | \$ 5,353,071 | -11.7% |

Table 5 – Comparative of Debt Outstanding

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

Fund Balances

As illustrated in the following Table 6, “Governmental Fund Balances”, total Governmental fund balance of \$5,655,771 for 2016 has increased by 3.3 percent or \$183,239 from 2015.

Of said balance, \$41,656 or 0.7 percent is nonspendable (prepaids); \$689,763 or 12.2 percent is restricted (externally enforceable limitations on use i.e. imposed by creditors, grantors, contributors, law and regulations); \$3,093,829 or 54.7 percent is committed (self-imposed limitations); \$1,008,246 or 17.8 percent is assigned for community development activities; and \$863,933 or 15.3 percent is unassigned (total fund balance in excess of restricted, committed, and assigned balances).

Restricted fund balance experienced the greatest change decreasing 41.7 percent or \$497,335 resulting in an ending fund balance of \$689,763. Said decrease is attributed to the funding of one-time capital road projects.

Additionally, Assigned fund balance for community development activities increased 30.3 percent or \$234,239

Unassigned fund balance decreased by 5.6 percent or \$51,547. Said decrease is attributed to a one-time General Fund reserve transfers to the Capital Projects Fund to support the capital needs of Governmental activities.

CITY OF WASHINGTON TERRACE
 Governmental Fund Balances
 For Fiscal Year Ended June 30

| Components | General Fund | | Redevelopment Fund | | Capital Project Fund | | Debt Service Fund | | Total | | % Change from Prior Year |
|--------------|--------------------|--------------------|--------------------|--------------------|----------------------|--------------------|-------------------|-----------------|--------------------|--------------------|--------------------------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | |
| Nonspendable | | | | 41,656 | | | | | - | 41,656 | - |
| Restricted | 315,941 | 350,698 | | | 782,755 | 251,308 | 88,402 | 87,757 | 1,187,098 | 689,763 | -41.9% |
| Committed | | | | | 2,595,947 | 3,093,829 | | | 2,595,947 | 3,093,829 | 19.2% |
| Assigned | | | 774,007 | 966,590 | | | | | 774,007 | 966,590 | 24.9% |
| Unassigned | 915,480 | 863,933 | | | | | | | 915,480 | 863,933 | -5.6% |
| Total | \$1,231,421 | \$1,214,631 | \$774,007 | \$1,008,246 | \$3,378,702 | \$3,345,137 | \$88,402 | \$87,757 | \$5,472,532 | \$5,655,771 | 3.3% |

Table 6 – Governmental Fund Balances

General Fund Budgetary Highlights

Final budget to actual variances for revenues and expenditures greater than \$10,000 reported in the General Fund are summarized below.

For a comprehensive schedule, refer to Required Supplemental Information, Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual, General Fund.

REVENUES

General Revenues

Tax actual collections of \$2,300,492 were below final budget estimates of \$2,387,632 or a \$19,627 final budget variance.

Intergovernmental collections of \$338,989 were above final budget estimates of \$323,884 or a \$15,105 final budget variance.

Fines & Forfeitures of \$163,061 were above final budget estimates of \$149,000 or a \$14,061 final budget variance.

Miscellaneous collections of \$110,017 were above final budget estimates of \$72,000 or a \$38,017 budget variance of \$38,017.

EXPENDITURES

General Government expenditures of \$1,064,076 were below budget estimates of \$1,162,562 or a budget variance of \$98,486. Said surplus is being ascribed to reduced personnel requirements and one-time operating maintenance projects pending completion.

Public Safety expenditures of \$1,140,698 were below budget estimates of \$1,171,368 or a budget variance of \$30,670. Said surplus is largely being ascribed to reduced personnel requirements.

Highways and Public Works expenditures of \$707,774 were below budget estimates of \$782,200 or a budget variance of \$74,426.

Said surplus is being ascribed to reduced personnel requirements.

Parks & Recreation expenditures of \$233,761 were below budget estimates of \$267,131 or a budget variance of \$33,370. Said surplus is being ascribed to one-time

operating maintenance projects pending completion.

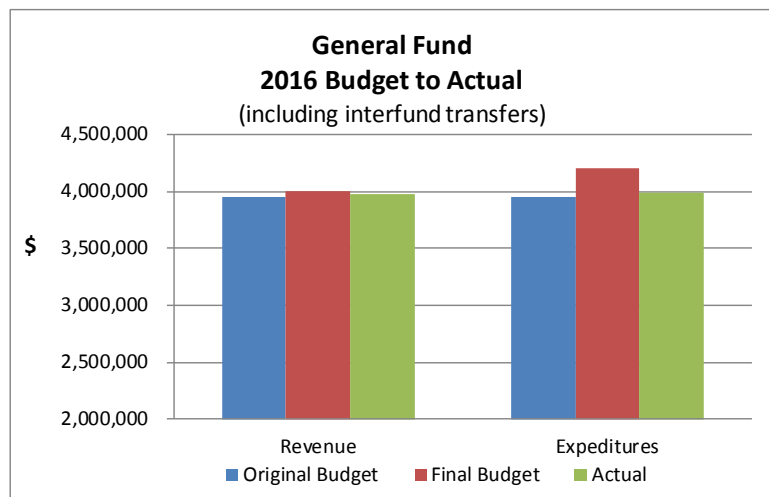


Figure 4 – General Fund Final Budget to Actual

FINANCIAL ANALYSIS OF ENTERPRISE FUNDS

Net Position

As illustrated in Table 1 “Comparative Summary of Net Position”, the City’s enterprise funds or Business-type activities total net position of \$15,367,090 has increased by 2.5 percent or \$373,379 from the prior year. Of said balance, \$8,986,836 or 58.5 percent represents net investment in capital assets, remaining flat from prior year. Restricted net position of \$36,523 is up 22.4 percent or \$6,690 from prior year. Unrestricted net position of \$6,343,731 is up 5.6 percent or \$337,510 from prior year.

Changes in Net Position

Business-type activities generated \$3,436,926 of total revenue up 2.5 percent or \$84,882 from prior year. The largest program revenue, Charges for Services representing 95.2 percent of revenues, decreased by 0.92 percent or \$30,328. Capital Grants and Contributions increased from \$13,247 to \$120,747 or by \$107,500.

Total program expenses of \$2,973,307 increased by 12.0 percent or \$318,758 from prior year.

Culinary Water Services, the largest operating expense program, represent 43.4 percent or \$1,290,998 of total program expenses. Water expenses grew by \$339,381 or 35.7 percent compared to prior year. Said increase is attributed to one-time meter replacement.

Sanitary Sewer Services, the second largest utility activity, represent 31.1 percent or \$924,553 of total program expenses. Sewer expenses experienced a decline of 4.2 percent or \$40,681 from prior year.

ECONOMIC & DEMOGRAPHIC FACTORS

According to the State of Utah Department of Workforce Services, the Weber County (the county for which the City resides) economy in early 2015 started to pick up and hasn't slowed down since. Employment is growing at a rate not seen in more than 10 years and is very wide-spread across all industries. Employment expansion through March 2016 posted 3.5 percent year-over-year growth adding 3,474 new jobs. Wage growth is broad-based, and taxable sales growth exceeded 4 percent for the 17th consecutive quarter with particular strength in retail markets. Unemployment insurance claims are back to pre-recession levels. Overall, the indicators are affirming that the long-term trajectory of economic performance for the county is very positive.

Furthermore, the Department of Workforce Services reported in their *Utah's Employment Summary: June 2016* that Utah's nonfarm wage and salaried job count for June 2016 grew by 3.5 percent adding 48,500 jobs to the Utah economy compared to June 2015. Utah's June 2016 seasonally adjusted unemployment rate registered 4.0 percent, employment year-over change 3.5 percent. The national employment year-over change was 1.8 percent with an unemployment rate at 4.9 percent.

Approximately 59,200 Utahans were considered to be unemployed and actively seeking work. According to Carrie Mayne, Chief Economist at the Department of workforce services, 'Utah's economy exhibits all the signs of robust growth and tightening labor markets.'

| Demographic Profile Highlights | |
|----------------------------------------------|-----------|
| Population | |
| Population 2013 (estimate) | 9,164 |
| Persons under 5 years | 9.30% |
| Persons under 18 years | 27.60% |
| Persons 65 years and over | 15.00% |
| Education | |
| High school graduate or higher | 91.60% |
| Bachelor's degree or higher | 14.70% |
| Housing | |
| Housing units | 3,462 |
| Homeownership rate | 60.30% |
| Housing units in multi-unit structures | 29.70% |
| Median value of owner-occupied housing units | \$141,700 |
| Persons per household | 2.58 |
| Income | |
| Per capita money income | \$23,034 |
| Median household income | \$50,325 |
| Persons below poverty level | 10.00% |
| Geography | |
| Land area in square miles | 1.97 |
| Persons per square mile | 4,604.90 |

Source: US Census

According to the US Census, the City represents 0.32 percent of the State of Utah's population. The City has an older demographic compared to the State. Persons over 65 represent 15 percent of the City's population or 6 percent higher than the State's 9 percent. Persons under 18 represent 27.6 percent compared to the State's 31.5 percent. Levels of education are comparable with the State at 91.6 percent of the population with a high school graduate or higher level of education but fall short of a bachelor's degree or higher representing 14.7 percent compared to the State's 29.9 percent. The City offers more housing diversity and affordability compared to the State with 29.7 percent of housing units multi-unit structures—State 21.3 percent. Homeownership rates represent 60.3 percent of housing compared to 70.4 percent statewide. Median value of owner-occupied housing units is \$141,700 compared to \$217,800 statewide. The City's poverty levels and median household income are below statewide levels at 10 percent and \$50,325 respectively compared to 12.10 percent and \$58,164 statewide.

OTHER MATTERS

Current and Future Projects - The City's Capital Facilities Plan is a comprehensive assessment on existing and future facilities. The Plan provides a 20 year outlook on renovating, repairing, replacing, and expanding facilities and equipment. The Plan assists in addressing budgetary issues more effectively and focuses on the following project areas: Road Maintenance and Reconstruction, City Fleet and Equipment Replacement, Buildings, Culinary Water, Parks and Open Space, Storm Water, and Sanitary Sewer. Funding sources identified in the Plan include: grants, impact fees, user fees, taxes, and fund/developer contributions. Through the budget process, capital requirements will be prioritized according to funding availability.

REQUESTS FOR INFORMATION

This financial report is designed to provide its readers with a general overview of the City's financial performance and condition. The City recognizes its duty to its citizens and other interested parties to vigilantly account for public funds and resources. Questions concerning any of the information in this report or any other matters related to the City's finances should be addressed to:

Washington Terrace Municipal Corporation

Finance Department

5249 South 400 East

Washington Terrace City, Utah 84405

Email: sharip@washingtonterracecity.org

Direct: 801-395-8284



BASIC FINANCIAL STATEMENTS
(audited)

STATEMENT OF NET POSITION

| | Primary Government | | Total |
|--------------------------------------------------------------------------|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | |
| Assets | | | |
| Cash and cash equivalents | \$ 4,461,144 | \$ 5,996,480 | \$ 10,457,624 |
| Accounts receivable, net | 317,036 | 278,913 | 595,949 |
| Due from other governmental units | 1,334,267 | - | 1,334,267 |
| Prepaid expenses | 418,766 | 140,393 | 559,159 |
| Cash - restricted | 611,865 | 55,023 | 666,888 |
| Capital assets not being depreciated: | | | |
| Land | 9,420,402 | 116,813 | 9,537,215 |
| Construction work in progress | 118,159 | 27,885 | 146,044 |
| Capital assets, net of accumulated depreciation: | | | |
| Buildings and improvements | 3,408,945 | 1,255,979 | 4,664,924 |
| Infrastructure | 16,036,891 | 9,493,312 | 25,530,203 |
| Machinery and equipment | 621,920 | 387,815 | 1,009,735 |
| Net pension asset | 3,243 | - | 3,243 |
| Total Assets | 36,752,638 | 17,752,613 | 54,505,251 |
| Deferred Outflows of Resources | | | |
| Pension related | 274,480 | - | 274,480 |
| Total Deferred Outflows of Resources | 274,480 | - | 274,480 |
| Total Assets and Deferred Outflows of Resources | \$ 37,027,118 | \$ 17,752,613 | \$ 54,779,731 |
| Liabilities | | | |
| Accounts payable | \$ 176,288 | \$ 31,559 | \$ 207,847 |
| Accrued liabilities | 44,451 | 58,996 | 103,447 |
| Accrued interest | 14,110 | - | 14,110 |
| Unearned revenue | 5,459 | - | 5,459 |
| Noncurrent liabilities: | | | |
| Due within one year | 563,564 | 291,547 | 855,111 |
| Due in more than one year | 2,494,539 | 2,003,421 | 4,497,960 |
| Net pension liability | 505,297 | - | 505,297 |
| Total Liabilities | 3,803,708 | 2,385,523 | 6,189,231 |
| Deferred Inflows of Resources | | | |
| Deferred revenue - property taxes | 992,669 | - | 992,669 |
| Pension related | 60,434 | - | 60,434 |
| Total Deferred Inflows of Resources | 1,053,103 | - | 1,053,103 |
| Net Position | | | |
| Net investment in capital assets | 26,642,581 | 8,986,836 | 35,629,417 |
| Restricted for: | | | |
| Debt service | 120,326 | 36,523 | 156,849 |
| Roads | 569,437 | - | 569,437 |
| Unrestricted | 4,837,963 | 6,343,731 | 11,181,694 |
| Total Net Position | 32,170,307 | 15,367,090 | 47,537,397 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 37,027,118 | \$ 17,752,613 | \$ 54,779,731 |

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

STATEMENT OF ACTIVITIES

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------|---------------------|----------------------|--------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary Government: | | | | | | | |
| Government Activities | | | | | | | |
| General governmental | \$ 1,268,508 | \$ 1,188,505 | \$ 8,367 | \$ 222,105 | \$ 150,469 | \$ - | \$ 150,469 |
| Public safety | 1,106,801 | 77,749 | 6,960 | 220 | (1,021,872) | - | (1,021,872) |
| Highways and public works | 4,035,527 | 25,575 | 281,626 | 1,535,871 | (2,192,455) | - | (2,192,455) |
| Parks and recreation | 352,265 | 43,993 | - | - | (308,272) | - | (308,272) |
| Interest on long-term debt | 118,645 | - | - | - | (118,645) | - | (118,645) |
| Total Governmental Activities | <u>6,881,746</u> | <u>1,335,822</u> | <u>296,953</u> | <u>1,758,196</u> | <u>(3,490,775)</u> | <u>-</u> | <u>(3,490,775)</u> |
| Business-type Activities | | | | | | | |
| Water services | 1,290,998 | 1,262,644 | - | 112,332 | - | 83,978 | 83,978 |
| Sewer services | 924,553 | 1,106,126 | - | 6,783 | - | 188,356 | 188,356 |
| Refuse services | 448,900 | 481,828 | - | - | - | 32,928 | 32,928 |
| Storm water services | 308,856 | 422,626 | - | 1,632 | - | 115,402 | 115,402 |
| Total Business-type Activities | <u>2,973,307</u> | <u>3,273,224</u> | <u>-</u> | <u>120,747</u> | <u>-</u> | <u>420,664</u> | <u>420,664</u> |
| Total Government | <u>\$ 9,855,053</u> | <u>\$ 4,609,046</u> | <u>\$ 296,953</u> | <u>\$ 1,878,943</u> | <u>(3,490,775)</u> | <u>420,664</u> | <u>(3,070,111)</u> |
| | | | General Revenues | | | | |
| | | | Property taxes | | 1,598,906 | - | 1,598,906 |
| | | | Sales taxes | | 1,008,180 | - | 1,008,180 |
| | | | Franchise taxes | | 718,914 | - | 718,914 |
| | | | Unrestricted interest on investments | | 36,138 | 42,955 | 79,093 |
| | | | Transfers | | 90,240 | (90,240) | - |
| | | | Total General Revenues and Transfers | | <u>3,452,378</u> | <u>(47,285)</u> | <u>3,405,093</u> |
| | | | Changes in Net Position | | (38,397) | 373,379 | 334,982 |
| | | | Net Position, Beginning, Restated | | <u>32,208,704</u> | <u>14,993,711</u> | <u>47,202,415</u> |
| | | | Net Position, Ending | | <u>\$ 32,170,307</u> | <u>\$ 15,367,090</u> | <u>\$ 47,537,397</u> |

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

BALANCE SHEET - GOVERNMENTAL FUNDS

| | <u>General</u> | <u>Redevelopment Agency</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|--------------------------------------------------------------------------------|----------------------------|---------------------------------|-----------------------------|--------------------------|-----------------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 622,046 | \$ 966,590 | \$ 2,872,508 | \$ - | \$ 4,461,144 |
| Accounts receivable, net | 48,596 | - | - | - | 48,596 |
| Due from other funds | - | - | 289,353 | - | 289,353 |
| Due from other governmental units | 777,046 | 102,500 | 65,043 | 389,678 | 1,334,267 |
| Prepays | - | 41,656 | - | 377,110 | 418,766 |
| Restricted assets: | | | | | |
| Cash and cash equivalents | 360,557 | - | 251,308 | - | 611,865 |
| Total Assets | <u>\$ 1,808,245</u> | <u>\$ 1,110,746</u> | <u>\$ 3,478,212</u> | <u>\$ 766,788</u> | <u>\$ 7,163,991</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 43,213 | \$ - | \$ 133,075 | \$ - | \$ 176,288 |
| Accrued liabilities | 44,451 | - | - | - | 44,451 |
| Due to other funds | - | - | - | 289,353 | 289,353 |
| Unearned revenue | 5,459 | - | - | - | 5,459 |
| Total Liabilities | <u>93,123</u> | <u>-</u> | <u>133,075</u> | <u>289,353</u> | <u>515,551</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue - property taxes | 500,491 | 102,500 | - | 389,678 | 992,669 |
| Fund Balances | | | | | |
| Nonspendable | | | | | |
| Prepays | - | 41,656 | - | - | 41,656 |
| Restricted | | | | | |
| Class "C" roads | 318,129 | - | 251,308 | - | 569,437 |
| Debt service | 32,569 | - | - | 87,757 | 120,326 |
| Committed for: | | | | | |
| Capital projects | - | - | 3,093,829 | - | 3,093,829 |
| Assigned | | | | | |
| Redevelopment Agency | - | 966,590 | - | - | 966,590 |
| Unassigned | 863,933 | - | - | - | 863,933 |
| Total Fund Balances | <u>1,214,631</u> | <u>1,008,246</u> | <u>3,345,137</u> | <u>87,757</u> | <u>5,655,771</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 1,808,245</u> | <u>\$ 1,110,746</u> | <u>\$ 3,478,212</u> | <u>\$ 766,788</u> | <u>\$ 7,163,991</u> |

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

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**

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

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Total fund balance - governmental funds | \$ 5,655,771 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 29,606,317 |
| Long-term liabilities, including bond payable, are not due and payable in the current period and therefore are not recorded in the funds. | (3,058,103) |
| Accrued interest expense is not due and payable in the current period and therefore is not recorded in the funds. | (14,110) |
| Pension assets and liabilities along with the corresponding deferred inflows and outflows are not collectable or payable in the current period and therefore are not recorded in the funds. | (288,008) |
| Special Improvement District receivables are not recorded in the fund financial statements. | <u>268,440</u> |
| Net position - governmental activities | <u>\$ 32,170,307</u> |

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES – GOVERNMENTAL FUNDS**

| | General | Redevelopment Agency | Capital Projects | Debt Service | Total Governmental Funds |
|--------------------------------------------------------------|------------------|---------------------------------|-----------------------------|-------------------------|-----------------------------------------|
| Revenues | | | | | |
| Taxes | \$ 2,300,492 | \$ 116,732 | \$ - | \$ 392,426 | \$ 2,809,650 |
| Licenses and permits | 191,414 | - | - | - | 191,414 |
| Intergovernmental | 338,989 | 2,015,408 | 216,628 | - | 2,571,025 |
| Charges for services | 872,174 | - | 86,714 | - | 958,888 |
| Impact fees | - | - | 5,697 | - | 5,697 |
| Fines and forfeitures | 163,061 | - | - | - | 163,061 |
| Interest income | 31,642 | 4,459 | - | 37 | 36,138 |
| Miscellaneous revenue | 78,375 | - | - | - | 78,375 |
| Total Revenues | 3,976,147 | 2,136,599 | 309,039 | 392,463 | 6,814,248 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 1,064,076 | 62,048 | 3,760 | - | 1,129,884 |
| Public safety | 1,140,698 | - | - | - | 1,140,698 |
| Highways and public works | 707,774 | 17,581 | - | - | 725,355 |
| Parks and recreation | 233,761 | - | - | - | 233,761 |
| Capital expenditures | - | 1,822,733 | 1,090,671 | - | 2,913,404 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 2,218,950 | 2,218,950 |
| Interest and fiscal charges | - | - | - | 120,157 | 120,157 |
| Bond issuance costs | - | - | - | 20,059 | 20,059 |
| Total Expenditures | 3,146,309 | 1,902,362 | 1,094,431 | 2,359,166 | 8,502,268 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 829,838 | 234,237 | (785,392) | (1,966,703) | (1,688,020) |
| Other Financing Sources (Uses) | | | | | |
| Transfer in | 92,672 | - | 904,491 | 204,011 | 1,201,174 |
| Transfer out | (939,301) | - | (224,352) | (39,953) | (1,203,606) |
| Issuance of debt | - | - | - | 1,802,000 | 1,802,000 |
| Disposal of capital assets | - | - | 71,688 | - | 71,688 |
| Total Other Financing Sources (Uses) | (846,629) | - | 751,827 | 1,966,058 | 1,871,256 |
| Net Change in Fund Balances | (16,791) | 234,237 | (33,565) | (645) | 183,236 |
| Fund Balance, Beginning | 1,231,422 | 774,009 | 3,378,702 | 88,402 | 5,472,535 |
| Fund Balance, Ending | \$ 1,214,631 | \$ 1,008,246 | \$ 3,345,137 | \$ 87,757 | \$ 5,655,771 |

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES**

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

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Net change in fund balances - total governmental funds | \$ 183,236 |
| Governmental funds have reported capital outlays, past and present, 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. | (992,131) |
| Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position. | 4,643,256 |
| Government funds have proceeds from the sale of assets as revenue. However, in the statement of activities it reports the gain or loss on the sale of assets. | (4,293,824) |
| Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position. | 2,218,950 |
| Issuance of long-term debt provides current financial resources to governmental funds. However, these revenues are reported as debt in the statement of net position. | (1,802,000) |
| In the statement of activities, accrued interest on debt is recorded. | 21,573 |
| The long term portion of accrued leave does not require the use of current financial resources and therefore is not recorded as an expenditure in the Governmental Funds. | (7,421) |
| Changes in the pension asset and liability accounts are not recorded in the funds rather they are recorded in the statement of activities | 51,103 |
| Repayment of Special Improvement District receivables is a revenue in the funds, but the repayment reduces the receivable in the statement of net position. | (61,139) |
| Change in net position - governmental activities | <u><u>\$ (38,397)</u></u> |

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

STATEMENT OF NET POSITION – PROPRIETARY FUND

| | Business-type Activities |
|-------------------------------------------|---------------------------------------------|
| | Enterprise Fund Public Utilities |
| Assets | |
| Current Assets | |
| Cash and cash equivalents | \$ 5,996,480 |
| Accounts receivable, net | 278,913 |
| Prepays | 140,393 |
| Cash - restricted | 55,023 |
| Total Current Assets | <u>6,470,809</u> |
| Noncurrent Assets | |
| Land | 116,813 |
| Construction work in progress | 27,885 |
| Buildings | 1,267,343 |
| Infrastructure | 13,646,562 |
| Machinery and equipment | 1,193,893 |
| Less: Accumulated depreciation | <u>(4,970,692)</u> |
| Total Noncurrent Assets | <u>11,281,804</u> |
| Total Assets | <u>\$ 17,752,613</u> |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | \$ 31,559 |
| Accrued liabilities | 58,996 |
| Bonds payable | 291,547 |
| Total Current Liabilities | <u>382,102</u> |
| Noncurrent Liabilities | |
| Bonds payable | <u>2,003,421</u> |
| Total Noncurrent Liabilities | <u>2,003,421</u> |
| Total Liabilities | <u>2,385,523</u> |
| Net Position | |
| Net invested in capital assets | 8,986,836 |
| Restricted: | |
| Debt reserve | 36,523 |
| Unrestricted | <u>6,343,731</u> |
| Total Net Position | <u>15,367,090</u> |
| Total Liabilities and Net Position | <u>\$ 17,752,613</u> |

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
 POSITION – PROPRIETARY FUND**

| | <u>Business-type Activities</u> <u>Enterprise Fund</u> <u>Public Utilities</u> |
|----------------------------------------------------------|------------------------------------------------------------------------------------------|
| Operating Revenues | |
| Charges for services: | |
| Water | \$ 1,256,822 |
| Sewer | 1,100,893 |
| Refuse | 481,828 |
| Storm water | 422,626 |
| Connection and other fees | |
| Water | 5,822 |
| Sewer | 5,233 |
| Total Operating Revenues | 3,273,224 |
| Operating Expenses | |
| Personnel services | 773,639 |
| Contractual services | 1,043,767 |
| Materials and supplies | 537,092 |
| Depreciation expense | 409,873 |
| Total operating expenses | 2,764,371 |
| Operating income | 508,853 |
| Nonoperating revenue (expense) | |
| Interest income | 42,955 |
| Impact fee income | 7,552 |
| Intergovernmental income | 113,195 |
| Interest expense | (68,984) |
| Sale of capital assets | (139,952) |
| Total nonoperating revenues (expenses) | (45,234) |
| Income (loss) before capital contributions and transfers | 463,619 |
| Transfers in/(out) | (90,240) |
| Change in net position | 373,379 |
| Net position, beginning | 14,993,711 |
| Net position, ending | \$ 15,367,090 |

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

STATEMENT OF CASH FLOWS – PROPRIETARY FUND

| | <u>Business-type Activities</u> |
|-------------------------------------------------------------------------|---------------------------------------------|
| | <u>Enterprise Fund Public Utilities</u> |
| Cash Flows From Operating Activities | |
| Receipts from customers and users | \$ 3,310,672 |
| Payments to suppliers and service providers | (1,675,710) |
| Payments to employees and related benefits | (773,639) |
| Net cash flows from operating activities | <u>861,323</u> |
| Cash Flows From Non-Capital Financing Activities | |
| Transfers out | (90,240) |
| Intergovernmental | 113,195 |
| Net cash flows from non-capital financing activities | <u>22,955</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Acquisition and construction of capital assets | (280,637) |
| Principal paid on bonds and leases | (298,366) |
| Interest Paid | (68,984) |
| Impact fees received | 7,552 |
| Net cash flows from capital and related financing activities | <u>(640,435)</u> |
| Cash Flows From Investing Activities | |
| Interest on deposits | 42,955 |
| Net cash flows from investing activities | <u>42,955</u> |
| Net Increase (Decrease) In Cash and Cash Equivalents | 286,798 |
| Cash and Cash Equivalents, Beginning | <u>5,764,705</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 6,051,503</u> |

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

STATEMENT OF CASH FLOWS – PROPRIETARY FUND (Continued)

| | <u>Business-type Activities</u> |
|-------------------------------------------------------------------------------------------|-------------------------------------|
| | <u>Enterprise Fund</u> |
| | <u>Public Utilities</u> |
| Reconciliation of operating income to net cash flows from operating activities | |
| Operating income | \$ 508,853 |
| Adjustments to reconcile operating income to net cash flows from operating activities: | |
| Depreciation expense | 409,873 |
| (Increase) Decrease in accounts receivables | 37,448 |
| (Increase) Decrease in prepaids | (53,980) |
| Increase (Decrease) in accounts payable | (40,358) |
| Increase (Decrease) in accrued liabilities | (513) |
| Net cash flows from operating activities | <u>\$ 861,323</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Washington Terrace (City) was incorporated on December 12, 1958. The City operates under a council manager form of government and provides the following services as authorized by its character: public safety (police, fire, inspection and animal control), streets and highways, public utilities (refuse collection, water and sewer), parks and recreation and general administrative services. The financial statements of The City of Washington Terrace have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

(A) **The Reporting Entity**

The accompanying financial statements present the 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.

Blended Component Unit

The Washington Terrace Redevelopment Agency (RDA) is governed by the Mayor and City Council. Although it is legally separate from the City, the RDA is reported as if it were part of the primary government because its sole purpose is to redevelop areas within the City thereby generating additional property tax and sales tax for the City.

(B) **Government-Wide and Fund Financial Statements**

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

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

(C) **Measurement Focus and Basis of Accounting**

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus and Basis of Accounting (Continued)

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

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

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

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, revenues, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

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

Redevelopment Agency Funds- Special Revenue Fund is used to account for the proceeds of property tax revenues that are legally restricted for the improvement, rehabilitation, and redevelopment of lighted areas within the City.

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs (other than those of the proprietary funds).

The City reports the following major enterprise funds:

Public Utilities Fund - is used to account for the water, sewer, refuse, and storm water service.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by the Enterprise Funds for providing administrative, billing, and repair services for such funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus and Basis of Accounting (Continued)

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds and of the City's internal service funds are charges to customers to the system. Operating expenses for enterprise funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(D) Budgets

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

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

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

(E) Taxes

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(F) Capital Assets

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

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

| | |
|---------------------------------|-------------|
| Buildings and improvements | 20-50 Years |
| Sewer collection system | 50 Years |
| Water distribution system | 50 Years |
| Infrastructure and improvements | 20-40 Years |
| Machinery and equipment | 5-10 Years |
| Other improvements | 10-40 Years |

(G) Long-Term Obligation

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

(H) Equity Classifications

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

- a. Net investment 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 positions 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 position that do not meet the definition of "restricted" or "net investment in capital assets ".

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(H) Equity Classifications (Continued)

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

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

Assigned fund balance classifications include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Council authorizes such assignments. 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.

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

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

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

(I) Cash and Cash Equivalents

The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalent accounts and the restricted cash and cash equivalents accounts.

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

(J) Use of Estimates

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

(K) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(K) Deferred outflows/inflows of resources (Continued)

this category. The governmental funds report unavailable revenue from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(L) Pensions

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

(M) Prepaid

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NOTE 2 CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits including the portion of the Utah State Treasurer's investment pool (PTIF) that is considered as a demand deposit. Investments are stated at carrying value as the carrying value approximates the fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" and "investments" which also includes cash accounts that are separately held by several of the City's funds.

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

Custodial credit risk – deposits is the risk that in the event of bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council. As of June 30, 2016, \$1,114,338 of the City's bank balances of \$1,374,084 (excluding PTIF) was uninsured and uncollateralized.

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; banker acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

NOTE 2 CASH AND INVESTMENTS (Continued)

The City is authorized to invest in the Utah Public Treasurer’s Investment Fund (PTIF) which is a voluntary external pooled investment fund managed by the Utah State Treasurer’s Office and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, is not rated, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants’ average daily balances.

For the year ended June 30, 2016, the City had cash balances of \$10,363,469 deposited in the PTIF. The fair value of this cash balance was \$10,410,696 using a fair value factor of 1.00455704.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s investment in the PTIF has no concentration of credit risk as the PTIF is an external investment pool managed by the Utah State Treasurer.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City has no formal policy regarding interest rate risk. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. The City’s investments do not have stipulated maturity dates but are only deposited and held until debt service due dates arrive.

Following are the City’s cash on hand and on deposit at June 30, 2016:

| | <u>Carrying Amount</u> |
|----------------------------------------------------|-----------------------------|
| Cash on hand and on deposit: | |
| Cash on hand | \$ 1,000 |
| Cash on deposit | 760,040 |
| Utah State Treasurer's investment pool accounts | <u>10,363,472</u> |
| Total cash on hand and deposit | <u><u>\$ 11,124,512</u></u> |

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable are recorded net of the allowance for doubtful accounts of \$15,328 in the enterprise fund.

NOTE 4 RESTRICTED ASSETS

Certain assets are restricted to use as follows as of June 30, 2016:

| | | |
|----------------------------------|----|----------------|
| Developer and Customer deposits | \$ | 22,900 |
| Unearned Revenue - Football Fees | | 5,459 |
| Class C Road Funds | | 569,437 |
| 2010 Series Bond Reserve Fund | | 59,346 |
| 2013 Series Bond Fund | | 9,746 |
| | | <u>666,888</u> |
| | \$ | <u>666,888</u> |

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016, is as follows:

| | <u>Balance June 30, 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2016</u> |
|-----------------------------------------------------|----------------------------------|---------------------|-----------------------|----------------------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 9,420,402 | \$ - | \$ - | \$ 9,420,402 |
| Construction in progress | 2,753,111 | 116,753 | (2,751,705) | 118,159 |
| Total capital assets, not being depreciated | <u>12,173,513</u> | <u>116,753</u> | <u>(2,751,705)</u> | <u>9,538,561</u> |
| Capital assets, being depreciated | | | | |
| Buildings and Improvements | 4,653,353 | - | - | 4,653,353 |
| Infrastructure | 22,540,929 | 4,406,429 | (2,114,034) | 24,833,324 |
| Machinery and equipment | 1,919,241 | 120,074 | (865,888) | 1,173,427 |
| Total capital assets, being depreciated | <u>29,113,523</u> | <u>4,526,503</u> | <u>(2,979,922)</u> | <u>30,660,104</u> |
| Less accumulated depreciation for | | | | |
| Buildings and Improvements | (1,114,380) | (130,028) | - | (1,244,408) |
| Infrastructure | (9,091,844) | (808,624) | 1,104,035 | (8,796,433) |
| Machinery and equipment | (831,794) | (53,480) | 333,767 | (551,507) |
| Total accumulated depreciation | <u>(11,038,018)</u> | <u>(992,132)</u> | <u>1,437,802</u> | <u>(10,592,348)</u> |
| Total capital assets, being depreciated, net | <u>18,075,505</u> | <u>3,534,371</u> | <u>(1,542,120)</u> | <u>20,067,756</u> |
| Governmental activities capital assets, net | <u>\$ 30,249,018</u> | <u>\$ 3,651,124</u> | <u>\$ (4,293,825)</u> | <u>\$ 29,606,317</u> |

NOTE 5 CAPITAL ASSETS (Continued)

The Business-type Activities property, plant and equipment consist of the following at June 30, 2016:

| | Balance June 30, 2015 | Additions | Deletions | Balance June 30, 2016 |
|-----------------------------------------------------|----------------------------------|---------------------|---------------------|----------------------------------|
| Business-type Activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 116,813 | \$ - | \$ - | \$ 116,813 |
| Construction in progress | 8,974 | 20,879 | (1,968) | 27,885 |
| Total capital assets, not being depreciated | <u>125,787</u> | <u>20,879</u> | <u>(1,968)</u> | <u>144,698</u> |
| Capital assets, being depreciated | | | | |
| Buildings | 11,364 | - | - | 11,364 |
| Infrastructure | 15,141,356 | 195,070 | (433,885) | 14,902,541 |
| Machinery and equipment | 1,169,703 | 64,690 | (40,500) | 1,193,893 |
| Total capital assets, being depreciated | <u>16,322,423</u> | <u>259,760</u> | <u>(474,385)</u> | <u>16,107,798</u> |
| Less accumulated depreciation for | | | | |
| Buildings | (11,364) | - | - | (11,364) |
| Infrastructure | (4,097,556) | (360,229) | 304,535 | (4,153,250) |
| Machinery and equipment | (788,300) | (49,644) | 31,866 | (806,078) |
| Total accumulated depreciation | <u>(4,897,220)</u> | <u>(409,873)</u> | <u>336,401</u> | <u>(4,970,692)</u> |
| Total capital assets, being depreciated, net | <u>11,425,203</u> | <u>(150,113)</u> | <u>(137,984)</u> | <u>11,137,106</u> |
| Business-type activities capital assets, net | <u>\$ 11,550,990</u> | <u>\$ (129,234)</u> | <u>\$ (139,952)</u> | <u>\$ 11,281,804</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|-------------------------------------------------------|---------------------|
| Governmental activities | |
| General government | \$ 89,634 |
| Public safety | 30,793 |
| Highways and public works | 824,074 |
| Parks and recreation | 47,631 |
| Total depreciation expense - governmental activities | <u>\$ 992,132</u> |
| Business-type activities | |
| Water services | \$ 203,122 |
| Sewer services | 120,794 |
| Storm water services | 85,957 |
| Total depreciation expense - business-type activities | <u>\$ 409,873</u> |
| Combined depreciation expense | <u>\$ 1,402,005</u> |

NOTE 6 DEFERRED OUTFLOWS/INFLOWS

In addition to assets, the statement of financial position 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 and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time.

In conjunction with GASB pronouncement 33, “*Accounting and Financial Reporting for Nonexchange Transactions*” the City has accrued property tax receivable and a deferred outflow in the General Fund, Redevelopment Agency, and the Debt Service Fund in the amounts of \$500,491, \$102,500, and \$389,678 respectively.

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 30 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1 and then are due and payable at November 30. Since the property tax levied on October 1, 2016 was not expected to be received within 30 days after the year ended June 30, 2016, the City was required to record receivable and deferred inflow of the estimated amount of the total property tax to be levied on October 1, 2016.

NOTE 7 COMPENSATED ABSENCES

Accumulated unpaid vacation, compensatory leave pay and other employee benefit amounts are accrued when incurred in proprietary funds (using the accrual basis of accounting). In the governmental funds (using the modified accrual basis of accounting) only the unpaid amounts due to retired or terminated employees are recorded as liabilities. All City employees are paid from the general fund. The total compensated absences liability is reported in the government wide financial statements as long-term debt in accordance with the Governmental Accounting Standards. Based on historical estimates, the City estimates that \$66,057 of the compensated absences balance will be due in the next year.

NOTE 8 CAPITAL LEASES

The City entered into a lease agreement as lessee for financing the acquisition of a fire truck valued at \$220,000. The fire truck has a ten-year estimated useful life. This year, \$15,526 was included in depreciation expense. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

| | Governmental Activities |
|--------------------------------|----------------------------|
| Asset: | |
| Machinery and equipment | \$ 220,000 |
| Less: accumulated depreciation | (15,526) |
| | \$ 204,474 |

NOTE 8 CAPITAL LEASES (Continued)

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

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> |
|-----------------------------------------|------------------------------------|
| 2017 | \$ 46,631 |
| 2018 | 46,631 |
| 2019 | 46,631 |
| 2020 | 46,631 |
| Total minimum lease payments | 186,524 |
| Less: amount representing interest | (8,671) |
| Present value of minimum lease payments | <u>\$ 177,853</u> |

NOTE 9 LONG-TERM DEBT

The following is summary of long-term debt transactions of the City for the year ended June 30, 2016:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due within One Year</u> |
|-----------------------------------------------------|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|
| Governmental activities | | | | | |
| G.O. Refunding Bonds, Series 2015 | \$ - | \$ 1,802,000 | \$ - | \$ 1,802,000 | \$ 363,000 |
| Sales Tax Revenue Refunding Bonds, Series 2013 | 601,333 | | (68,000) | 533,333 | 67,333 |
| Utility Revenue Bond, Series 2010B | 218,202 | - | (10,949) | 207,253 | 10,800 |
| Utility Revenue Bond, Series 2010C | 256,151 | - | (12,854) | 243,297 | 13,320 |
| G.O. Refunding Bonds, Series 2005 | 2,085,000 | - | (2,085,000) | - | - |
| Total bonds payable | \$ 3,160,686 | \$ 1,802,000 | \$ (2,176,803) | \$ 2,785,883 | \$ 454,453 |
| Capital lease | 220,000 | - | (42,147) | 177,853 | 43,054 |
| Compensated absences | 86,946 | 66,928 | (59,507) | 94,367 | 66,057 |
| Governmental activity long-term liabilities | <u>\$ 3,467,632</u> | <u>\$ 1,868,928</u> | <u>\$ (2,278,457)</u> | <u>\$ 3,058,103</u> | <u>\$ 563,564</u> |
| Business-type activities | | | | | |
| Sales Tax Revenue Refunding Bonds, Series 2013 | \$ 300,667 | \$ - | \$ (34,000) | \$ 266,667 | \$ 33,667 |
| Revenue Refunding Bonds, Series 2010A | 1,385,000 | - | (210,000) | 1,175,000 | 215,000 |
| Utility Revenue Bond, Series 2010B | 383,798 | - | (18,051) | 365,747 | 19,200 |
| Utility Revenue Bond, Series 2010C | 444,849 | - | (23,146) | 421,703 | 23,680 |
| Bond Premium | 79,021 | - | (13,170) | 65,851 | - |
| Total bonds payable | \$ 2,593,335 | \$ - | \$ (298,367) | \$ 2,294,968 | \$ 291,547 |
| Business-type activity long-term liabilities | <u>\$ 2,593,335</u> | <u>\$ -</u> | <u>\$ (298,367)</u> | <u>\$ 2,294,968</u> | <u>\$ 291,547</u> |

The General Fund typically liquidates the liability for compensated absences.

NOTE 9 LONG-TERM DEBT (Continued)

Sales Tax Revenue Refunding Bonds, Series 2013

The \$1,097,000 Sales Tax Revenue Refunding Bonds, Series 2013 was issued in December 2013. The proceeds, along with the debt reserve account of \$98,057, were used to refund the Special Assessments Bonds, Series 2001 and the 2009 Sales Tax Revenue Bond which had interest rates from 2.50% to 5.95%. The Sales Tax Revenue Refunding Bonds, Series 2013 are due in annual installments through June 1, 2024. The bonds carry an interest rate of 1.98%.

The annual debt service requirements to maturity, including principal and interest, for the Sales Tax Revenue Refunding Bonds, Series 2013, as of June 30, 2016 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|------------------|-------------------|
| 2017 | \$ 101,000 | \$ 15,840 | \$ 116,840 |
| 2018 | 106,000 | 13,840 | 119,840 |
| 2019 | 105,000 | 11,741 | 116,741 |
| 2020 | 109,000 | 9,662 | 118,662 |
| 2021 | 110,000 | 7,504 | 117,504 |
| 2022 | 118,000 | 5,326 | 123,326 |
| 2023 | 75,000 | 2,990 | 77,990 |
| 2024 | 76,000 | 1,505 | 77,505 |
| Total | \$ 800,000 | \$ 68,408 | \$ 868,408 |

General Obligation Refunding Bonds, Series 2005

The General Obligation Refunding Bonds, Series 2005 was issued in March 2005. The \$3,445,000 revenue bonds are due in annual installments through March, 2020. The bonds carry a varying interest rate each year from 3.85% - 4.10%. The government issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The bonds are direct obligations and pledge the full faith and credit of the government. During the year this obligation was refunded by the General Obligation Refunding Bonds, Series 2015

General Obligation Refunding Bonds, Series 2015

The General Obligation Refunding Bonds, Series 2005 was issued in September 2015. The \$1,802,000 revenue bonds are due in annual principal installments and semiannual interest installments through July 2020. The bonds carry a varying interest rate each year from .850% - 2.150%. The government issued general obligation bonds to provide funds to refund the General Obligation Refunding Bonds, Series 2005. The bonds are direct obligations and pledge the full faith and credit of the government. This refunding was undertaken to reduce total debt service payments by \$73,231 and resulted in a \$67,027 economic gain.

NOTE 9 LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity, including principal and interest, for the General Obligation Refunding Bonds, Series 2015, as of June 30, 2016 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|------------------|---------------------|
| 2017 | 363,000 | 26,678 | 389,678 |
| 2018 | 373,000 | 22,524 | 395,524 |
| 2019 | 375,000 | 16,819 | 391,819 |
| 2020 | 377,000 | 10,238 | 387,238 |
| 2021 | 314,000 | 3,376 | 317,376 |
| Total | \$ 1,802,000 | \$ 79,635 | \$ 1,881,635 |

Revenue Refunding Bonds, Series 2010A

The Revenue Refunding Bonds, Series 2010A was issued in December 2010. The \$2,505,000 revenue bonds are due in annual installments through June 1, 2021. The bonds carry a varying interest rate each year from 2.0% - 4.0%. The Revenue Refunding Bond, Series 2010A requires a Debt Service Reserve which is being funded by an insurance policy. The City has pledged future utility customer revenues to repay revenue refunding bonds issued in 2010.

The annual debt service requirements to maturity, including principal and interest, for the Revenue Refunding Bonds Series 2010A, as of June 30, 2016 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| 2017 | \$ 215,000 | \$ 45,712 | \$ 260,712 |
| 2018 | 225,000 | 39,800 | 264,800 |
| 2019 | 230,000 | 33,050 | 263,050 |
| 2020 | 250,000 | 22,700 | 272,700 |
| 2021 | 255,000 | 10,200 | 265,200 |
| Total | \$ 1,175,000 | \$ 151,462 | \$ 1,326,462 |

NOTE 9 LONG-TERM DEBT (Continued)

Utility Revenue Bond, Series 2010B

The Utility Revenue Bond, Series 2010B was issued in December 2010. The \$708,000 revenue bonds are due in annual installments through June 1, 2031. The bonds carry an interest rate of 3.56%.

The annual debt service requirements to maturity, including principal and interest, for the Utility Revenue Bond Series 2010B, as of June 30, 2016 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|-------------------|-------------------|
| 2017 | \$ 30,000 | \$ 20,399 | \$ 50,399 |
| 2018 | 31,000 | 19,331 | 50,331 |
| 2019 | 32,000 | 18,227 | 50,227 |
| 2020 | 33,000 | 17,088 | 50,088 |
| 2021 | 34,000 | 15,913 | 49,913 |
| 2022 | 35,000 | 14,703 | 49,703 |
| 2023 | 36,000 | 13,457 | 49,457 |
| 2024 | 38,000 | 12,175 | 50,175 |
| 2025 | 39,000 | 10,822 | 49,822 |
| 2026 | 40,000 | 9,434 | 49,434 |
| 2027 | 42,000 | 8,010 | 50,010 |
| 2028 | 43,000 | 6,515 | 49,515 |
| 2029 | 45,000 | 4,984 | 49,984 |
| 2030 | 47,000 | 3,382 | 50,382 |
| 2031 | 48,000 | 1,709 | 49,709 |
| Total | <u>\$ 573,000</u> | <u>\$ 176,149</u> | <u>\$ 749,149</u> |

NOTE 9 LONG-TERM DEBT (Continued)

Utility Revenue Bond, Series 2010C

The Utility Revenue Bond, Series 2010C was issued in December 2010. The \$835,000 revenue bonds are due in annual installments through June 1, 2031. The bonds carry an interest rate of 2.50%.

The annual debt service requirements to maturity, including principal and interest, for the Utility Revenue Bond Series 2010C, as of June 30, 2016 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|-------------------|-------------------|
| 2017 | \$ 37,000 | \$ 16,625 | \$ 53,625 |
| 2018 | 38,000 | 15,700 | 53,700 |
| 2019 | 39,000 | 14,750 | 53,750 |
| 2020 | 40,000 | 13,775 | 53,775 |
| 2021 | 41,000 | 12,775 | 53,775 |
| 2022 | 42,000 | 11,750 | 53,750 |
| 2023 | 43,000 | 10,700 | 53,700 |
| 2024 | 44,000 | 9,625 | 53,625 |
| 2025 | 45,000 | 8,525 | 53,525 |
| 2026 | 46,000 | 7,400 | 53,400 |
| 2027 | 47,000 | 6,250 | 53,250 |
| 2028 | 48,000 | 5,075 | 53,075 |
| 2029 | 50,000 | 2,875 | 52,875 |
| 2030 | 52,000 | 26,525 | 78,525 |
| 2031 | 53,000 | 1,325 | 54,325 |
| Total | \$ 665,000 | \$ 163,675 | \$ 828,675 |

NOTE 10 CONTINGENT LIABILITIES

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

NOTE 11 CONSTRUCTION COMMITMENTS

The City has active construction projects as of June 30, 2016.

| <u>Project</u> | <u>Contract Amount</u> | <u>Paid to Date</u> | <u>Commitment Outstanding</u> |
|----------------------------------|------------------------|---------------------|-------------------------------|
| Victory Park Improvements | \$ 237,490 | \$ 173,435 | \$ 64,055 |
| Adams Avenue road reconstruction | 318,831 | 301,341 | 17,490 |
| | \$ 556,321 | \$ 474,776 | \$ 81,545 |

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in the Local Governments Trust, a public entity risk pool. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. The City carries \$2,000,000 of liability coverage, \$500,000 of fidelity bond coverage for the treasurer, and \$10,000 fidelity bond coverage for other city cashiers.

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

NOTE 13 REDEVELOPMENT AGENCY

In accordance with Utah Code Section 17C-1-605(1), the City's Redevelopment Agency is required to disclose the following information for fiscal year 2016:

The tax increment collected by the Agency for each project area is as follows:

| <u>Project Area</u> | <u>2016</u> |
|--------------------------|-------------------|
| Southeast | \$ 569,355 |
| Central B/D | <u>26,914</u> |
| Total increment received | <u>\$ 596,269</u> |

The Agency expended amounts in the following areas:

| | |
|---------------------------------------------|---------------------|
| Amounts expended for: | |
| Administrative costs | \$ 79,629 |
| Property acquisitions and site improvements | <u>1,822,733</u> |
| Total amounts expended by RDA | <u>\$ 1,902,362</u> |
| Outstanding bonds to finance RDA projects | <u>\$ -</u> |

NOTE 14 TRANSFERS

During the year transfers were made which will not be repaid. Interfund transfers for the year ended June 30, 2016 are as follows:

| | <u>In</u> | <u>Out</u> |
|------------------|---------------------|---------------------|
| Governmental: | | |
| General Fund | \$ 92,672 | \$ 846,629 |
| Capital Projects | 904,491 | 224,352 |
| Debt Service | 204,011 | 39,953 |
| Business-type | | |
| Public Utilities | <u>45,722</u> | <u>135,962</u> |
| | <u>\$ 1,246,896</u> | <u>\$ 1,246,896</u> |

The purpose of the interfund transfers is to meet the City's ongoing cash needs for capital projects and shared portion of debt. In addition to the transfers, the General Fund charged \$773,639 to the proprietary fund for personnel and administrative services during the year.

NOTE 15 RETIREMENT PLAN

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following Pension Trust Funds:

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

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

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

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

NOTE 15 RETIREMENT PLAN (Continued)

Benefits Provided

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

Summary of Benefits by System
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% |
| Firefighter System | Highest 3 Years | 20 years any age 10 years age 60 4 years age 65 | 2.5% per year up to 20 years; 2.0% per year over 20 years | Up to 4% |
| Tier 2 Public Employees System | Highest 5 Years | 35 years any age 20 years age 60* 10 years age 62* 4 years age 65 | 1.50% per year all years | Up to 2.5% |

* with actuarial reductions

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

Contributions

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

Utah Retirement Systems

| | Employee Paid | Paid by Employer for Employee | Employer Contribution Rates | Employer Rate for 401(k) Plan |
|---------------------------------------|---------------|-------------------------------|-----------------------------|-------------------------------|
| Contributory System | | | | |
| 111 Local Governmental Div - Tier 2 | N/A | N/A | 16.67 | 1.78 |
| Noncontributory System | | | | |
| 15 Local Governmental Div - Tier 1 | N/A | N/A | 18.47 | N/A |
| Firefighters Retirement System | | | | |
| 31 Other Division A | N/A | 15.05 | 3.99 | N/A |
| Tier 2 DC Only | | | | |
| 211 Local Government | N/A | N/A | 6.69 | 10.00 |

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

NOTE 15 RETIREMENT PLAN (Continued)

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

| System | Employer Contributions | | Employee Contributions |
|--------------------------------|-------------------------------|----------------|-------------------------------|
| Noncontributory System | \$ | 140,423 | N/A |
| Firefighters System | | 1,974 | - |
| Tier 2 Public Employees System | | 15,725 | - |
| Tier 2 DC Only System | | 3,117 | N/A |
| Total Contributions | \$ | 161,238 | \$ - |

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

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

At June 30, 2016, we reported a net pension asset of \$3,243 and a net pension liability of \$505,297.

| | Proportionate Share | Net Pension Asset | Net Pension Liability |
|--------------------------------|----------------------------|--------------------------|------------------------------|
| Noncontributory System | 0.0892990% | \$ - | \$ 505,297 |
| Firefighters System | 0.1773189% | 3,212 | - |
| Tier 2 Public Employees System | 0.0142525% | 31 | - |
| | | \$ 3,243 | \$ 505,297 |

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

For the year ended June 30, 2016, we recognized pension expense of \$110,157

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 26,600 |
| Change in assumptions | - | 33,702 |
| Net difference between projected and actual earnings on pension plan investments | 186,173 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 5,853 | 132 |
| Contributions subsequent to the measurement date | 82,454 | - |
| Total | \$ 274,480 | \$ 60,434 |

NOTE 15 RETIREMENT PLAN (Continued)

\$82,454 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015.

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

| <u>Year Ended December 31,</u> | <u>Deferred Outflows (inflow) of Resources</u> |
|--------------------------------|----------------------------------------------------|
| 2016 | \$ 30,902 |
| 2017 | 30,902 |
| 2018 | 31,399 |
| 2019 | 41,803 |
| 2020 | (1,502) |
| Thereafter | (1,916) |

Actuarial Assumptions

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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, 2015, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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

NOTE 15 RETIREMENT PLAN (Continued)

| Asset Class | Expected Return Arithmetic Basis | | |
|---------------------------|------------------------------------|------------------------------|--------------------------------------------------|
| | Target Asset Allocation | Real Return Arithmetic Basis | Long-Term Expected Portfolio Real Rate of Return |
| Equity securities | 40% | 7.06% | 2.82% |
| Debt securities | 20% | 0.80% | 0.16% |
| Real assets | 13% | 5.10% | 0.66% |
| Private equity | 9% | 11.30% | 1.02% |
| Absolute return | 18% | 3.15% | 0.57% |
| Cash and cash equivalents | 0% | 0.00% | 0.00% |
| Totals | 100% | | 5.23% |
| | Inflation | | 2.75% |
| | Expected Arithmetic Nominal Return | | 7.98% |

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

| System | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|--------------------------------|------------------------|--------------------------|------------------------|
| Noncontributory System | \$ 1,067,643 | \$ 505,297 | \$ 35,851 |
| Firefighters System | \$ 43,716 | \$ (3,212) | \$ (41,326) |
| Tier 2 Public Employees System | \$ 5,706 | \$ (31) | \$ (4,379) |
| Total | \$ 1,117,065 | \$ 502,054 | \$ (9,854) |

Pension Plan Fiduciary Net Position

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

NOTE 15 RETIREMENT PLAN (Continued)

Defined Contribution Savings Plans

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.

City of Washington Terrace participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

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

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

| | 2016 | 2015 | 2014 |
|------------------------|----------|----------|----------|
| 401 (k) Plan | | | |
| Employer Contributions | \$31,366 | \$29,969 | \$27,285 |
| Employee Contributions | \$33,791 | \$31,849 | \$25,728 |
| 457 Plan | | | |
| Employer Contributions | \$0 | \$0 | \$0 |
| Employee Contributions | \$16,436 | \$19,981 | \$13,829 |
| Roth IRA Plan | | | |
| Employer Contributions | N/A | N/A | N/A |
| Employee Contributions | \$15,155 | \$11,627 | \$6,130 |

NOTE 17 SUBSEQUENT EVENTS

On September 6, 2016, the City Council authorized the terms and conditions for the issuance and sale of water, sewer, storm water, and refuse collection revenue bonds in the aggregate principal amount not to exceed \$6,000,000 for the purposes of acquiring land and construction of a new public works facility. These bonds are expected to be sold on or before June 30, 2017.

NOTE 18 PRIOR PERIOD ADJUSTMENT – SPECIAL IMPROVEMENT DISTRICT RECEIVABLE

During the year, the City determined that there the Special Improvement District receivables were not recorded in the fund financial statements. The addition of this receivable in this fiscal year resulted in an adjustment to the prior period net position of the Governmental Activities on the Statement of Net Position. The net results to net position was an increase of \$268,440.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES – BUDGET AND ACTUAL – GENERAL FUND**

| | Budgeted Amounts | | Actual Amounts | Variance with Final budget |
|----------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes: | | | | |
| Property tax - real estate | \$ 591,476 | \$ 591,476 | \$ 493,998 | \$ (97,478) |
| Property tax - vehicles | 90,756 | 90,756 | 89,899 | (857) |
| Delinquent property taxes | 20,000 | 20,000 | 26,314 | - |
| Direct charges | 1,500 | 1,500 | - | - |
| Sales and use taxes | 1,009,400 | 1,009,400 | 1,008,180 | (1,220) |
| Franchise taxes | 717,000 | 674,500 | 682,101 | 7,601 |
| Total taxes | <u>2,430,132</u> | <u>2,387,632</u> | <u>2,300,492</u> | <u>(91,954)</u> |
| Licenses and permits: | | | | |
| Business licenses | 100,000 | 97,500 | 97,091 | (409) |
| Building permits | 25,000 | 60,000 | 58,668 | (1,332) |
| Planning fees | 16,250 | 30,000 | 29,220 | (780) |
| Animal licenses | 5,500 | 6,200 | 6,435 | 235 |
| Total licenses and permits | <u>146,750</u> | <u>193,700</u> | <u>191,414</u> | <u>(2,286)</u> |
| Intergovernmental revenue: | | | | |
| Local Hwy County Sales Tax | - | - | 6,210 | |
| RAMP tax | 9,067 | 24,167 | 30,603 | 6,436 |
| Class "C" roads | 281,626 | 281,626 | 281,626 | - |
| State liquor fund allotment | 7,000 | 7,000 | 6,960 | (40) |
| Other grants | 6,591 | 6,591 | 8,367 | 1,776 |
| Service Contracts | 4,500 | 4,500 | 5,223 | 723 |
| Total intergovernmental revenue | <u>308,784</u> | <u>323,884</u> | <u>338,989</u> | <u>8,895</u> |
| Charges for services: | | | | |
| Administrative fee - other funds | 828,181 | 828,181 | 828,181 | - |
| Recreation fees | 42,620 | 43,567 | 43,993 | 426 |
| Total charges for services | <u>870,801</u> | <u>871,748</u> | <u>872,174</u> | <u>426</u> |
| Fines and forfeitures | <u>148,500</u> | <u>149,000</u> | <u>163,061</u> | <u>14,061</u> |
| Miscellaneous: | | | | |
| Interest | 8,000 | 10,000 | 31,642 | 21,642 |
| Other | 44,170 | 62,000 | 78,375 | 16,375 |
| Total miscellaneous | <u>52,170</u> | <u>72,000</u> | <u>110,017</u> | <u>38,017</u> |
| Total Revenues | <u>\$ 3,957,137</u> | <u>\$ 3,997,964</u> | <u>\$ 3,976,147</u> | <u>\$ (32,841)</u> |

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES – BUDGET AND ACTUAL – GENERAL FUND (Continued)**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final budget</u> |
|--------------------------------------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures | | | | |
| General government: | | | | |
| City council | \$ 39,531 | \$ 39,831 | \$ 33,063 | \$ 6,768 |
| Municipal court | 146,345 | 146,345 | 135,278 | 11,067 |
| Administrative | 329,883 | 329,883 | 313,147 | 16,736 |
| Treasurer | 205,965 | 215,265 | 202,862 | 12,403 |
| Recorder | 104,151 | 92,151 | 80,692 | 11,459 |
| Leisure services | 88,444 | 86,237 | 81,798 | 4,439 |
| Non-departmental | 123,041 | 115,456 | 101,571 | 13,885 |
| General government building | 114,884 | 137,394 | 115,665 | 21,729 |
| | <u>1,152,244</u> | <u>1,162,562</u> | <u>1,064,076</u> | <u>98,486</u> |
| Total general government | | | | |
| Public safety: | | | | |
| Police department | 746,769 | 746,769 | 746,769 | - |
| Fire department | 245,956 | 245,956 | 228,269 | 17,687 |
| Inspection and planning | 122,193 | 126,193 | 116,244 | 9,949 |
| Animal control | 52,450 | 52,450 | 49,416 | 3,034 |
| | <u>1,167,368</u> | <u>1,171,368</u> | <u>1,140,698</u> | <u>30,670</u> |
| Total public safety | | | | |
| Highways and public works: | | | | |
| Streets | 111,551 | 111,551 | 95,802 | 15,749 |
| Public works | 685,889 | 670,649 | 611,972 | 58,677 |
| | <u>797,440</u> | <u>782,200</u> | <u>707,774</u> | <u>74,426</u> |
| Total highways and public works | | | | |
| Parks and recreation | <u>234,729</u> | <u>267,131</u> | <u>233,761</u> | <u>33,370</u> |
| | <u>3,351,781</u> | <u>3,383,261</u> | <u>3,146,309</u> | <u>236,952</u> |
| Total Expenditures | | | | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | | | | |
| | <u>605,356</u> | <u>614,703</u> | <u>829,838</u> | <u>204,111</u> |
| Other Financing Sources (Uses) | | | | |
| Transfer in | 104,672 | 105,672 | 92,672 | (13,000) |
| Transfer out | (710,028) | (924,028) | (939,301) | (15,273) |
| | <u>(605,356)</u> | <u>(818,356)</u> | <u>(846,629)</u> | <u>(28,273)</u> |
| Total Other Financing Sources (Uses) | | | | |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ (203,653)</u> | <u>(16,791)</u> | <u>\$ 175,838</u> |
| Fund Balance, Beginning, Restated | | | <u>1,231,422</u> | |
| Fund Balance, Ending | | | <u>\$ 1,214,631</u> | |

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL – REDEVELOPMENT AGENCY SPECIAL REVENUE FUND**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with final budget</u> |
|----------------------------------------------------------------------|-------------------------|------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property taxes - increment | \$ 452,800 | \$ 452,800 | \$ 116,732 | \$ (336,068) |
| Interest | - | - | 4,459 | 4,459 |
| Intergovernmental | 97,398 | 1,194,577 | 2,015,408 | 820,831 |
| Total Revenues | <u>550,198</u> | <u>1,647,377</u> | <u>2,136,599</u> | <u>489,222</u> |
| Expenditures | | | | |
| Salaries and benefits | 15,500 | 15,500 | 14,856 | 644 |
| Professional and technical | 4,000 | 4,000 | 2,725 | 1,275 |
| Capital expenditures | 1,042,205 | 1,582,403 | 1,822,733 | (240,330) |
| Administrative fee to general fund | 53,624 | 53,624 | 62,048 | (8,424) |
| Water utility charge | - | 114,050 | - | 114,050 |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | <u>1,115,329</u> | <u>1,769,577</u> | <u>1,902,362</u> | <u>(132,785)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(565,131)</u> | <u>(122,200)</u> | <u>234,237</u> | <u>356,437</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 122,200 | 122,200 | - | 122,200 |
| Total Other Financing Sources (Uses) | <u>122,200</u> | <u>122,200</u> | <u>-</u> | <u>122,200</u> |
| Net Change in Fund Balance | <u>\$ (442,931)</u> | <u>\$ -</u> | <u>234,237</u> | <u>\$ 478,637</u> |
| Fund Balance, Beginning | | | <u>774,009</u> | |
| Fund Balance, Ending | | | <u>\$ 1,008,246</u> | |

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

SCHEDULE OF PROPORTIONATE SHARE OF THE PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
December 31, 2015
 Last 10 Fiscal Years*

| | Year Ended 12/31 | Noncontributory Retirement System | Firefighters Retirement System | Tier 2 Public Employees Retirement System |
|----------------------------------------------------------------------------------------------------------|------------------------|-----------------------------------------|--------------------------------------|----------------------------------------------------|
| Proportion of the net pension liability (asset) | 2014 | 0.0874154% | 0.1685186% | 0.0147457% |
| | 2015 | 0.0892990% | 0.1773189% | 0.0142525% |
| Proportionate share of the net pension liability (asset) | 2014 | \$ 379,578 | \$ (9,616) | \$ (447) |
| | 2015 | \$ 505,297 | \$ (3,212) | \$ (31) |
| Covered-employee payroll | 2014 | \$ 755,767 | \$ 390,094 | \$ 78,361 |
| | 2015 | \$ 774,829 | \$ 47,679 | \$ 92,070 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 2014 | 50.20% | -21.80% | -0.60% |
| | 2015 | 65.21% | -6.74% | -0.03% |
| Plan fiduciary net position as a percentage of its covered-employee payroll | 2014 | 90.2% | 103.5% | 103.5% |
| | 2015 | 87.8% | 101.0% | 100.2% |

SCHEDULE OF CONTRIBUTIONS UTAH RETIREMENT SYSTEMS
December 31, 2015
 Last 10 Fiscal Years*

| | As of fiscal year ended June 30, | Actuarial Determined Contributions | Contributions in relation to the contractually required Contributions | Contribution deficiency (excess) | Covered employee payroll | Contributions as a percentage of covered employee payroll |
|----------------------------------------------------|----------------------------------------|------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------|--------------------------------|-----------------------------------------------------------------------|
| Noncontributory System | 2014 | \$ 126,907 | \$ 126,907 | \$ - | \$ 762,621 | 16.64% |
| | 2015 | \$ 137,506 | \$ 137,506 | \$ - | \$ 773,112 | 17.79% |
| | 2016 | \$ 140,423 | \$ 140,423 | \$ - | \$ 787,605 | 17.83% |
| Firefighters System | 2014 | \$ 1,322 | \$ 1,322 | \$ - | \$ 44,660 | 2.96% |
| | 2015 | \$ 1,757 | \$ 1,757 | \$ - | \$ 46,003 | 3.82% |
| | 2016 | \$ 1,974 | \$ 1,974 | \$ - | \$ 49,460 | 3.99% |
| Tier 2 Public Employees System* | 2014 | \$ 6,128 | \$ 6,128 | \$ - | \$ 43,804 | 13.99% |
| | 2015 | \$ 13,624 | \$ 13,624 | \$ - | \$ 91,189 | 14.94% |
| | 2016 | \$ 15,725 | \$ 15,725 | \$ - | \$ 105,729 | 14.87% |
| Tier 2 Public Employees DC Only System* | 2014 | \$ 2,517 | \$ 2,517 | \$ - | \$ 45,108 | 5.58% |
| | 2015 | \$ 3,076 | \$ 3,076 | \$ - | \$ 45,772 | 6.72% |
| | 2016 | \$ 3,117 | \$ 3,117 | \$ - | \$ 46,596 | 6.69% |

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in Assumptions

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

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



SUPPLEMENTARY

INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND For**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with final budget</u> |
|--------------------------------------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental | \$ 138,833 | \$ 216,628 | \$ 216,628 | \$ - |
| Charges for services | 80,135 | 80,135 | 86,714 | 6,579 |
| Impact fees | 5,000 | 5,000 | 5,697 | 697 |
| Interest income | - | - | - | - |
| Total Revenues | <u>223,968</u> | <u>301,763</u> | <u>309,039</u> | <u>7,276</u> |
| Expenditures | | | | |
| General government | 918 | 918 | 3,760 | (2,842) |
| Administrative fee to general fund | - | - | - | - |
| Capital expenditures | 605,626 | 1,495,865 | 1,090,671 | 405,194 |
| Water utility charge | 33,284 | 33,284 | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | <u>639,828</u> | <u>1,530,067</u> | <u>1,094,431</u> | <u>402,352</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(415,860)</u> | <u>(1,228,304)</u> | <u>(785,392)</u> | <u>409,628</u> |
| Other Financing Sources (Uses) | | | | |
| Transfer in | 587,323 | 754,018 | 904,491 | 150,473 |
| Transfer out | (270,657) | (224,352) | (224,352) | - |
| Proceeds from capital lease | - | - | - | - |
| Disposal of capital assets | 86,000 | 153,765 | 71,688 | - |
| Total Other Financing Sources (Uses) | <u>402,666</u> | <u>683,431</u> | <u>751,827</u> | <u>150,473</u> |
| Net Change in Fund Balance | <u>\$ (13,194)</u> | <u>\$ (544,873)</u> | <u>(33,565)</u> | <u>\$ 560,101</u> |
| Fund Balance, Beginning, Restated | | | <u>3,378,702</u> | |
| Fund Balance, Ending | | | <u>\$ 3,345,137</u> | |

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – NONMAJOR DEBT SERVICE FUND**

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|--------------------------------------------------------------|------------------|-------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$ 392,426 | \$ 392,426 | \$ 392,426 | \$ - |
| Interest income | - | - | 37 | 37 |
| Total Revenues | 392,426 | 392,426 | 392,463 | 37 |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal retirement | 448,951 | 2,265,996 | 2,218,950 | 47,046 |
| Interest and fiscal charges | 109,283 | 73,602 | 120,157 | (46,555) |
| Bond issuance costs | - | 20,636 | 20,059 | 577 |
| Total Expenditures | 558,234 | 2,360,234 | 2,359,166 | 1,068 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (165,808) | (1,967,808) | (1,966,703) | 1,105 |
| Other Financing Sources (Uses) | | | | |
| Transfer in | 204,011 | 204,011 | 204,011 | - |
| Transfer out | (39,953) | (39,953) | (39,953) | - |
| Issuance of debt | - | 1,802,000 | 1,802,000 | - |
| Total Other Financing Sources (Uses) | 164,058 | 1,966,058 | 1,966,058 | - |
| Net Change in Fund Balance | \$ (1,750) | \$ (1,750) | (645) | \$ 1,105 |
| Fund Balance, Beginning | | | 88,402 | |
| Fund Balance, Ending | | | \$ 87,757 | |

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

STATISTICAL SECTION (unaudited)

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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



FINANCIAL TREND DATA

NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|----------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | 26,642,581 | 26,868,331 | 24,809,751 | 24,243,148 | 24,773,485 | 23,271,524 | 23,115,197 | 21,530,243 | 21,735,498 | 20,816,639 |
| Restricted | 689,763 | 220,498 | 1,002,446 | 792,171 | 724,144 | 1,031,661 | 971,559 | 1,038,001 | 1,228,921 | 699,211 |
| Unrestricted | 4,837,963 | 3,823,697 | 4,529,696 | 5,253,102 | 4,224,554 | 3,815,011 | 3,711,039 | 4,722,837 | 2,551,108 | 2,621,787 |
| Total Governmental Activities Net Position | <u>\$32,170,307</u> | <u>\$30,912,526</u> | <u>\$30,341,893</u> | <u>\$30,288,421</u> | <u>\$29,722,183</u> | <u>\$28,118,196</u> | <u>\$27,797,795</u> | <u>\$27,291,081</u> | <u>\$25,515,527</u> | <u>\$24,137,637</u> |
| Business-Type Activities | | | | | | | | | | |
| Net investment in capital assets | 8,986,836 | 8,957,657 | 9,268,778 | 6,962,596 | 7,046,086 | 4,819,572 | 5,850,150 | 5,854,976 | 5,474,317 | 5,378,627 |
| Restricted | 36,523 | 29,833 | 281,627 | - | - | - | - | - | - | - |
| Unrestricted | 6,343,731 | 6,006,221 | 4,836,916 | 4,133,635 | 3,568,149 | 3,772,175 | 1,973,641 | 1,185,690 | 100,069 | (400,541) |
| Total Business-Type Activities Net Position | <u>\$15,367,090</u> | <u>\$14,993,711</u> | <u>\$14,387,321</u> | <u>\$11,096,231</u> | <u>\$10,614,235</u> | <u>\$ 8,591,747</u> | <u>\$ 7,823,791</u> | <u>\$ 7,040,666</u> | <u>\$ 5,574,386</u> | <u>\$ 4,978,086</u> |
| Primary Government | | | | | | | | | | |
| Net investment in capital assets | 35,629,417 | 35,825,988 | 34,078,529 | 31,205,744 | 31,819,571 | 28,091,096 | 28,965,347 | 27,385,219 | 27,209,815 | 26,195,266 |
| Restricted | 726,286 | 250,331 | 1,284,073 | 792,171 | 724,144 | 1,031,661 | 971,559 | 1,038,001 | 1,228,921 | 699,211 |
| Unrestricted | 11,181,694 | 9,829,918 | 9,366,612 | 9,386,737 | 7,792,703 | 7,587,186 | 5,684,680 | 5,908,527 | 2,651,177 | 2,221,246 |
| Total Primary Government Net Position | <u>\$47,537,397</u> | <u>\$45,906,237</u> | <u>\$44,729,214</u> | <u>\$41,384,652</u> | <u>\$40,336,418</u> | <u>\$36,709,943</u> | <u>\$35,621,586</u> | <u>\$34,331,747</u> | <u>\$31,089,913</u> | <u>\$29,115,723</u> |

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

| Expenses | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental Activities: | | | | | | | | | | |
| General Government | 1,268,508 | 840,591 | 1,299,410 | 1,227,430 | 1,059,655 | 1,102,705 | 1,073,622 | 1,079,101 | 1,006,926 | 926,255 |
| Public Safety | 1,106,801 | 1,153,802 | 1,268,295 | 1,173,056 | 1,153,483 | 1,130,528 | 1,214,932 | 1,197,872 | 1,149,680 | 1,083,474 |
| Highways and Public Works | 4,035,527 | 2,574,589 | 1,506,224 | 1,723,620 | 977,754 | 1,647,499 | 1,793,659 | 1,491,848 | 1,457,532 | 1,546,983 |
| Parks and Recreation | 352,265 | 261,500 | 244,530 | 223,097 | 209,734 | 186,999 | 180,901 | 180,326 | 188,071 | 144,432 |
| Interest and Long-term Debt | 118,645 | 116,935 | 112,941 | 195,865 | 259,206 | 275,517 | 324,825 | 299,143 | 283,059 | 459,702 |
| Total Governmental Activities | \$ 6,881,746 | \$ 4,947,417 | \$ 4,431,400 | \$ 4,543,068 | \$ 3,659,832 | \$ 4,343,248 | \$ 4,587,939 | \$ 4,248,290 | \$ 4,085,268 | \$ 4,160,846 |
| Business-Type Activities: | | | | | | | | | | |
| Water services | 1,290,998 | 951,617 | 834,383 | 815,941 | 725,142 | 774,618 | 720,818 | 728,511 | 697,403 | 764,699 |
| Sewer services | 924,553 | 965,234 | 916,534 | 903,727 | 743,011 | 704,079 | 607,499 | 554,896 | 448,436 | 504,760 |
| Refuse services | 448,900 | 436,185 | 421,714 | 482,100 | 458,407 | 445,248 | 442,545 | 454,020 | 343,036 | 430,934 |
| Storm Water services | 308,856 | 301,513 | 282,040 | 257,990 | 229,326 | 261,955 | 222,279 | 226,799 | 200,683 | 14,085 |
| Public Utilities | | | | | | | | | | |
| Total Business-Type Activities | \$ 2,973,307 | \$ 2,654,549 | \$ 2,454,671 | \$ 2,459,758 | \$ 2,155,886 | \$ 2,185,900 | \$ 1,993,141 | \$ 1,964,226 | \$ 1,689,558 | \$ 1,714,478 |
| Total Expenses | \$ 9,855,053 | \$ 7,601,966 | \$ 6,886,071 | \$ 7,002,826 | \$ 5,815,718 | \$ 6,529,148 | \$ 6,581,080 | \$ 6,212,516 | \$ 5,774,826 | \$ 5,875,324 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services | | | | | | | | | | |
| General Government | 1,188,505 | 1,109,104 | 1,178,215 | 968,522 | 847,924 | 893,319 | 852,338 | 926,269 | 805,287 | 1,016,722 |
| Public Safety | 77,749 | 76,235 | 69,409 | 160,392 | 170,033 | 205,613 | 149,075 | 122,224 | 156,929 | 205,554 |
| Highways and Public Works | 25,575 | 74,900 | 87,942 | 83,109 | 86,577 | 90,695 | 100,496 | 103,600 | | |
| Parks and Recreation | 43,993 | 42,819 | 52,691 | 51,152 | 46,081 | 28,004 | 32,722 | 32,476 | 34,005 | 26,466 |
| Contributions | 296,953 | 278,869 | 275,322 | 349,177 | 310,363 | 276,511 | 255,217 | 317,945 | 286,009 | 273,025 |
| Capital Grants and Contributions | 1,758,196 | 1,939,832 | 1,200,243 | 322,351 | 974,000 | 184,609 | 726,243 | 1,738,260 | 1,114,704 | |
| Total Governmental Activities | \$ 3,390,971 | \$ 3,521,759 | \$ 2,863,822 | \$ 1,934,703 | \$ 2,434,978 | \$ 1,678,751 | \$ 2,116,091 | \$ 3,240,774 | \$ 2,396,934 | \$ 1,521,767 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services | | | | | | | | | | |
| Water services | 1,262,644 | 1,309,749 | 1,355,552 | 1,118,803 | 1,079,900 | 1,022,204 | 1,010,392 | 1,082,007 | 949,092 | 655,537 |
| Sewer services | 1,106,126 | 1,148,077 | 1,140,737 | 1,058,798 | 905,983 | 873,327 | 821,167 | 798,912 | 555,970 | 518,224 |
| Refuse services | 481,828 | 449,480 | 453,241 | 501,473 | 523,077 | 525,341 | 528,553 | 543,913 | 520,380 | 477,207 |
| Storm Water services | 422,626 | 396,246 | 370,951 | 328,388 | 299,953 | 283,933 | 278,421 | 294,948 | 210,641 | 160,383 |
| Public Utilities | | | | | | | | | | |
| Operating Grants and Contributions | | | | | | | | | | |
| Capital Grants and Contributions | 120,747 | 13,247 | 242,162 | 7,790 | 1,302,809 | 230,915 | 42,081 | 412,753 | | |
| Total Business-Type Activities | \$ 3,393,971 | \$ 3,316,799 | \$ 3,562,643 | \$ 3,015,252 | \$ 4,111,722 | \$ 2,935,720 | \$ 2,680,614 | \$ 3,132,533 | \$ 2,236,083 | \$ 1,811,351 |

CHANGES IN NET POSITION (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|-----------------------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|
| Total Program Revenues | <u>\$ 6,784,942</u> | <u>\$ 6,838,558</u> | <u>\$ 6,426,465</u> | <u>\$ 4,949,955</u> | <u>\$ 6,546,700</u> | <u>\$ 4,614,471</u> | <u>\$ 4,796,705</u> | <u>\$ 6,373,307</u> | <u>\$ 4,633,017</u> | <u>\$ 3,333,118</u> |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | (3,490,775) | (1,425,658) | (1,567,578) | (2,608,365) | (1,224,854) | (2,664,497) | (2,471,848) | (1,007,516) | (1,688,334) | (2,639,079) |
| Business-Type Activities | 420,664 | 662,250 | 1,107,972 | 555,494 | 1,955,836 | 749,820 | 687,473 | 1,168,307 | 546,525 | 96,873 |
| Total Net (Expense) | <u>\$(3,070,111)</u> | <u>\$ (763,408)</u> | <u>\$ (459,606)</u> | <u>\$(2,052,871)</u> | <u>\$ 730,982</u> | <u>\$(1,914,677)</u> | <u>\$(1,784,375)</u> | <u>\$ 160,791</u> | <u>\$(1,141,809)</u> | <u>\$(2,542,206)</u> |
| General Revenues & Transfers | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Property taxes | 1,598,906 | 1,591,528 | 1,719,870 | 1,571,060 | 1,577,070 | 1,519,651 | 1,560,747 | 1,524,661 | 1,348,177 | 1,283,263 |
| General sales and use tax | 1,008,180 | 978,712 | 919,397 | 887,879 | 873,830 | 765,000 | 724,468 | 737,185 | 926,068 | 864,738 |
| Franchise tax | 718,914 | 695,220 | 698,397 | 699,047 | 677,204 | 683,168 | 658,721 | 669,459 | 635,230 | 588,724 |
| Investment earnings | 36,138 | 13,979 | 20,182 | 16,617 | 15,918 | 17,079 | 34,625 | 57,766 | 112,570 | 101,219 |
| Miscellaneous | | | | | 2,479 | | | | 81,603 | 153,219 |
| Gain (loss) on sale of assets | | | | | | | | (206,001) | | |
| Transfers | 90,240 | 91,106 | 90,538 | | | | | | (37,423) | (21,494) |
| Total Governmental Activities | <u>\$ 3,452,378</u> | <u>\$ 3,370,545</u> | <u>\$ 3,448,384</u> | <u>\$ 3,174,603</u> | <u>\$ 3,146,501</u> | <u>\$ 2,984,898</u> | <u>\$ 2,978,561</u> | <u>\$ 2,783,070</u> | <u>\$ 3,066,225</u> | <u>\$ 2,969,669</u> |
| Business-Type Activities: | | | | | | | | | | |
| Investment earnings | 42,955 | 35,245 | 24,432 | 53,635 | 48,950 | 18,136 | 6,695 | 12,286 | 12,350 | 44,869 |
| Miscellaneous | | | | | | | 88,956 | | | |
| Gain (loss) on sale of assets | | | | 6,045 | 17,702 | | | | | |
| Transfers | (90,240) | (91,106) | (90,538) | | | | | 206,001 | 37,423 | 21,494 |
| Total Business-Type Activities | <u>\$ (47,285)</u> | <u>\$ (55,861)</u> | <u>\$ (66,106)</u> | <u>\$ 59,680</u> | <u>\$ 66,652</u> | <u>\$ 18,136</u> | <u>\$ 95,651</u> | <u>\$ 218,287</u> | <u>\$ 49,773</u> | <u>\$ 66,363</u> |
| Total Primary Government | <u>\$ 3,405,093</u> | <u>\$ 3,314,684</u> | <u>\$ 3,382,278</u> | <u>\$ 3,234,283</u> | <u>\$ 3,213,153</u> | <u>\$ 3,003,034</u> | <u>\$ 3,074,212</u> | <u>\$ 3,001,357</u> | <u>\$ 3,115,998</u> | <u>\$ 3,036,032</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | (38,397) | 1,944,887 | 1,880,806 | 566,238 | 1,921,647 | 320,401 | 506,713 | 1,775,554 | 1,377,891 | 330,590 |
| Business-Type Activities | 373,379 | 606,389 | 1,041,866 | 615,174 | 2,022,488 | 767,956 | 783,124 | 1,386,594 | 596,298 | 163,236 |
| Total Primary Government | <u>\$ 334,982</u> | <u>\$ 2,551,276</u> | <u>\$ 2,922,672</u> | <u>\$ 1,181,412</u> | <u>\$ 3,944,135</u> | <u>\$ 1,088,357</u> | <u>\$ 1,289,837</u> | <u>\$ 3,162,148</u> | <u>\$ 1,974,189</u> | <u>\$ 493,826</u> |

FUND BALANCES OF GOVERNMENTAL FUNDS

**Last Ten Fiscal Years
 (modified accrual basis of accounting)**

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009 (1)(2)</u> | <u>2008</u> | <u>2007</u> |
|-------------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| General Fund | | | | | | | | | | |
| Restricted | 350,698 | 315,941 | 282,707 | 241,345 | 203,376 | 492,437 | 464,791 | 459,189 | 414,528 | 384,016 |
| Unassigned | 863,933 | 915,480 | 1,040,164 | 801,557 | 601,278 | 618,819 | 598,070 | 564,426 | 925,844 | 949,220 |
| Total General Fund | <u>\$1,214,631</u> | <u>\$1,231,421</u> | <u>\$1,322,871</u> | <u>\$1,042,902</u> | <u>\$ 804,654</u> | <u>\$1,111,256</u> | <u>\$1,062,861</u> | <u>\$1,023,615</u> | <u>\$1,340,372</u> | <u>\$1,333,236</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | 41,656 | | | | | | | | | |
| Restricted | 339,065 | 871,157 | 719,739 | 2,334,889 | 596,569 | 609,431 | 579,674 | 659,345 | 888,384 | 372,906 |
| Committed | 3,093,829 | 2,595,947 | 2,132,560 | 2,232,625 | 2,140,120 | 1,900,204 | 2,022,491 | 3,440,780 | 1,127,657 | 1,257,894 |
| Assigned | 966,590 | 774,007 | 672,779 | - | 1,437,854 | 1,172,745 | 944,035 | 626,352 | 426,381 | 284,618 |
| Total All Other Governmental Funds | <u>\$4,441,140</u> | <u>\$4,241,111</u> | <u>\$3,525,078</u> | <u>\$4,567,514</u> | <u>\$4,174,543</u> | <u>\$3,682,380</u> | <u>\$3,546,200</u> | <u>\$4,726,477</u> | <u>\$2,442,422</u> | <u>\$1,915,418</u> |
| Total Fund Balances | <u><u>\$5,655,771</u></u> | <u><u>\$5,472,532</u></u> | <u><u>\$4,847,949</u></u> | <u><u>\$5,610,416</u></u> | <u><u>\$4,979,197</u></u> | <u><u>\$4,793,636</u></u> | <u><u>\$4,609,061</u></u> | <u><u>\$5,750,092</u></u> | <u><u>\$3,782,794</u></u> | <u><u>\$3,248,654</u></u> |

Notes:

- (1) In 2009, the City dissolved nonmajor special revenue fund. Special revenue reserved fund balance is reported in reserved major capital projects funds.
 (2) The increase in unreserved fund balance in fiscal year 2009 was due to unspent bond proceeds from an issuance during the period for capital projects.

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
 (modified accrual basis of accounting)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|----------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | | | | | |
| Taxes | 2,809,650 | 3,265,460 | 3,337,664 | 3,157,986 | 3,128,104 | 2,967,819 | 2,943,936 | 2,931,305 | 2,909,475 | 2,736,725 |
| Licenses and permits | 191,414 | 158,860 | 218,632 | 111,449 | 99,981 | 114,076 | 128,304 | 165,638 | 76,376 | 159,771 |
| Intergovernmental | 2,571,025 | 2,218,701 | 1,471,056 | 671,528 | 310,363 | 461,120 | 981,460 | 2,056,205 | 286,009 | 273,025 |
| Charges for services | 958,888 | 942,182 | 965,682 | 910,344 | 856,609 | 869,278 | 829,379 | 869,005 | 700,235 | 764,747 |
| Impact fees | - | - | 6,841 | 7,952 | 3,647 | 7,329 | 16,819 | 17,297 | 50,878 | 127,764 |
| Fines and forfeitures | 163,061 | 154,858 | 146,356 | 154,803 | 170,033 | 205,613 | 149,075 | 120,724 | 156,929 | 185,494 |
| Interest income | 36,138 | 13,976 | 20,182 | 16,617 | 15,918 | 17,079 | 34,625 | 57,766 | 112,570 | 101,219 |
| Miscellaneous revenue | 78,375 | 47,158 | 55,255 | 78,627 | 996,824 | 21,335 | 11,054 | 11,904 | 1,208,110 | 164,185 |
| Total Revenues | \$ 6,808,551 | \$ 6,801,195 | \$ 6,221,668 | \$ 5,109,306 | \$ 5,581,479 | \$ 4,663,649 | \$ 5,094,652 | \$ 6,229,844 | \$ 5,500,582 | \$ 4,512,930 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General Government | 1,129,884 | 1,198,067 | 1,184,080 | 1,031,931 | 978,234 | 1,021,693 | 989,764 | 1,044,072 | 958,548 | 892,078 |
| Public Safety | 1,140,698 | 1,139,546 | 1,151,935 | 1,129,803 | 1,140,451 | 1,117,570 | 1,167,257 | 1,156,683 | 1,112,995 | 1,044,916 |
| Highways and public works | 725,355 | 691,966 | 695,917 | 709,811 | 700,222 | 713,828 | 717,215 | 730,926 | 685,875 | 635,684 |
| Parks and recreation | 233,761 | 210,827 | 212,704 | 199,168 | 190,131 | 167,255 | 162,418 | 161,263 | 153,057 | 132,385 |
| Capital expenditures | 2,913,404 | 2,509,991 | 1,642,215 | 592,153 | 1,544,163 | 418,222 | 1,861,384 | 1,914,591 | 1,295,763 | 231,717 |
| Debt Service: | | | | | | | | | | |
| Principal retirement | 2,218,950 | 644,799 | 1,385,792 | 608,399 | 611,832 | 779,739 | 1,041,099 | 465,893 | 442,099 | 644,000 |
| Interest and fiscal charges | 120,157 | 128,794 | 184,797 | 206,822 | 230,885 | 260,768 | 296,545 | 283,117 | 280,681 | 311,925 |
| Bond issuance costs | 20,059 | | | | | | | | | |
| Total Expenditures | \$ 8,502,268 | \$ 6,523,990 | \$ 6,457,440 | \$ 4,478,087 | \$ 5,395,918 | \$ 4,479,075 | \$ 6,235,682 | \$ 5,756,545 | \$ 4,929,018 | \$ 3,892,705 |
| Excess (Deficiency of Revenues over Expenditures) | \$ (1,693,717) | \$ 277,205 | \$ (235,772) | \$ 631,219 | \$ 185,561 | \$ 184,574 | \$ (1,141,030) | \$ 473,299 | \$ 571,564 | \$ 620,225 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Contributions | | | | | | | | | | |
| Transfers in | 1,201,174 | 1,421,662 | 538,670 | 856,390 | 856,390 | 838,651 | 2,594,179 | 835,850 | 550,953 | 626,942 |
| Transfers out | (1,203,606) | (1,330,556) | (448,132) | (856,390) | (856,390) | (838,651) | (294,179) | (1,041,851) | (588,376) | (648,436) |
| Bond proceeds | 1,802,000 | | 731,333 | | | | | 1,700,000 | | |
| Capital lease | | 220,379 | | | | | | | | |
| Sale of capital assets | 71,688 | 35,892 | 63,400 | | | | | | | |
| Total Other Financing Sources (Uses) | \$ 1,871,256 | \$ 347,377 | \$ 885,271 | \$ - | \$ - | \$ - | \$ 2,300,000 | \$ 1,493,999 | \$ (37,423) | \$ (21,494) |
| Net change in fund balance | \$ 177,539 | \$ 624,582 | \$ 649,499 | \$ 631,219 | \$ 185,561 | \$ 184,574 | \$ 1,158,970 | \$ 1,967,298 | \$ 534,141 | \$ 598,731 |
| Debt service as a percentage of non-capital expenditures | 42% | 19% | 33% | 21% | 22% | 26% | 31% | 19% | 20% | 26% |



REVENUE CAPACITY

GENERAL GOVERNMENTAL REVENUES BY SOURCE
 Last Ten Fiscal Years

| Fiscal Year | Taxes | Licenses & Permits | Inter-Governmental | Charges for Services | Fines & Forfeitures | Interest & Miscellaneous | Impact Fees | Total Revenue |
|--------------------|---------------------|-------------------------------|---------------------------|-----------------------------|--------------------------------|-------------------------------------|--------------------|----------------------|
| 2016 | \$ 2,809,650 | \$ 191,414 | \$ 2,571,025 | \$ 958,888 | \$ 163,061 | \$ 36,138 | \$ - | \$6,730,176 |
| 2015 | 3,265,460 | 158,860 | 2,218,701 | 942,182 | 154,858 | 61,134 | - | 6,801,195 |
| 2014 | 3,337,664 | 218,632 | 1,471,056 | 965,682 | 146,356 | 75,437 | 6,841 | 6,221,668 |
| 2013 | 3,157,986 | 111,449 | 671,528 | 910,344 | 154,803 | 95,244 | 7,952 | 5,109,306 |
| 2012 | 3,128,104 | 99,981 | 310,363 | 856,609 | 170,033 | 1,012,742 | 3,647 | 5,581,479 |
| 2011 | 2,967,819 | 114,076 | 461,120 | 869,278 | 205,613 | 17,079 | 7,329 | 4,642,314 |
| 2010 | 2,943,936 | 128,304 | 981,460 | 829,379 | 149,075 | 34,625 | 16,819 | 5,232,673 |
| 2009 | 2,931,305 | 165,638 | 2,056,205 | 869,005 | 120,724 | 57,766 | 17,297 | 6,217,940 |
| 2008 | 2,909,475 | 76,376 | 286,009 | 700,235 | 156,929 | 1,320,680 | 50,878 | 5,500,582 |
| 2007 | 2,736,725 | 159,771 | 273,025 | 764,747 | 185,494 | 265,404 | 127,764 | 4,512,930 |

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
 Last Ten Fiscal Years

| Fiscal Year | General Property | General Sales & Use | Franchise | Total Tax Revenue |
|--------------------|-------------------------|--------------------------------|-------------------|--------------------------|
| 2016 | \$ 1,598,906 | \$ 1,008,180 | \$ 718,914 | \$ 3,326,000 |
| 2015 | 1,591,528 | 978,712 | 695,220 | 3,265,460 |
| 2014 | 1,719,809 | 919,458 | 698,397 | 3,337,664 |
| 2013 | 1,571,060 | 887,879 | 699,047 | 3,157,986 |
| 2012 | 1,577,070 | 873,830 | 677,204 | 3,128,104 |
| 2011 | 1,519,651 | 765,000 | 683,168 | 2,967,819 |
| 2010 | 1,560,747 | 724,468 | 658,721 | 2,943,936 |
| 2009 | 1,524,661 | 737,185 | 669,459 | 2,931,305 |
| 2008 | 1,348,177 | 926,068 | 635,230 | 2,909,475 |
| 2007 | 1,283,263 | 864,738 | 588,724 | 2,736,725 |

ASSESSED / TAXABLE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

| Fiscal Year | Real Property | | | Personal Property | State Centrally Assessed | Total Assessed/Taxable Value | Total Direct Tax Rate | Estimated Market Value | Ratio of Assessed / Taxable to Estimated Market Value |
|-------------|-----------------------|---------------------|------------------|----------------------|--------------------------|------------------------------|-----------------------|------------------------|-------------------------------------------------------|
| | Residential | Commercial | Other Misc. | | | | | | |
| 2016 | \$ 239,125,984 | \$83,666,594 | \$ 24,762 | \$ 27,320,869 | \$ 5,514,042 | \$ 355,652,251 | 0.002950 | \$556,434,265 | 63.92 |
| 2015 | 223,683,370 | 75,817,539 | 30,581 | 30,334,997 | 5,059,647 | 334,926,134 | 0.003101 | \$523,188,279 | 64.02 |
| 2014 | 217,583,053 | 75,167,587 | 31,788 | 30,832,278 | 5,118,752 | 328,733,458 | 0.003217 | 512,097,796 | 64.19 |
| 2013 | 213,364,811 | 74,327,029 | 33,706 | 28,919,283 | 4,953,113 | 321,597,942 | 0.003085 | 513,941,537 | 62.57 |
| 2012 | 226,028,844 | 73,479,614 | 33,548 | 28,790,810 | 5,476,106 | 333,808,922 | 0.002938 | 561,930,652 | 59.40 |
| 2011 | 226,052,833 | 70,034,831 | 868,983 | 29,640,983 | 5,488,357 | 332,085,987 | 0.002939 | 560,862,597 | 59.21 |
| 2010 | 240,581,217 | 65,336,332 | 881,836 | 28,552,953 | 5,713,064 | 341,065,402 | 0.002866 | 581,729,703 | 58.63 |
| 2009 | 246,645,897 | 59,804,472 | 882,526 | 25,872,159 | 4,125,679 | 337,330,733 | 0.002830 | 580,824,791 | 58.08 |
| 2008 | 226,279,216 | 52,599,877 | 882,345 | 20,838,514 | 3,811,307 | 304,411,259 | 0.002865 | 522,332,162 | 58.28 |
| 2007 | 202,717,420 | 46,250,462 | 880,477 | 14,988,687 | 3,790,949 | 268,627,995 | 0.003203 | 461,041,193 | 58.27 |

Source:
 Weber County Clerk Auditor
 Weber County Assessor

**PROPERTY TAX RATES
 DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Fiscal Years**

| Fiscal Year | City Direct Rates | | | Overlapping Rates | | | | | | | | | TOTAL TAX RATES |
|-------------|--------------------|---------------------------------|--------------------|-------------------|---------------------------------------|---------------------|----------------------|-----------------|-----------------------------|-----------------|---------------------|-------------------------------|-----------------|
| | General Operations | General Obligation Debt Service | Total City Millage | Weber County Levy | State & County Assessment /Collecting | Weber Morgan Health | Weber County Library | School District | Mosquito Abatement District | Secondary Water | Central Weber Sewer | Paramedic & Dispatch 911 Fund | |
| 2016 | 0.001637 | 0.0013130 | 0.002950 | 0.002269 | 0.000349 | 0.000083 | 0.000631 | 0.006643 | 0.000134 | 0.000196 | 0.000802 | 0.000499 | 0.014556 |
| 2015 | 0.001690 | 0.0014110 | 0.003101 | 0.002335 | 0.000367 | 0.000125 | 0.000662 | 0.006526 | 0.000141 | 0.000199 | 0.000838 | 0.000525 | 0.014819 |
| 2014 | 0.001743 | 0.0014737 | 0.003217 | 0.002288 | 0.000385 | 0.000129 | 0.000686 | 0.006920 | 0.000146 | 0.000210 | 0.000866 | 0.000540 | 0.015387 |
| 2013 | 0.001588 | 0.0014970 | 0.003085 | 0.002507 | 0.000399 | 0.000130 | 0.000696 | 0.007071 | 0.000148 | 0.000215 | 0.000880 | 0.000550 | 0.015681 |
| 2012 | 0.001497 | 0.0014410 | 0.002938 | 0.002520 | 0.000391 | 0.000123 | 0.000660 | 0.006833 | 0.000141 | 0.000217 | 0.000854 | 0.000523 | 0.015200 |
| 2011 | 0.001498 | 0.0014410 | 0.002939 | 0.002472 | 0.000377 | 0.000120 | 0.000646 | 0.006526 | 0.000138 | 0.000207 | 0.000833 | 0.000526 | 0.014784 |
| 2010 | 0.001420 | 0.0014460 | 0.002866 | 0.002303 | 0.000342 | 0.000112 | 0.000601 | 0.005721 | 0.000128 | 0.000188 | 0.000811 | 0.000488 | 0.013560 |
| 2009 | 0.001378 | 0.0014520 | 0.002830 | 0.002235 | 0.000321 | 0.000156 | 0.000585 | 0.005458 | 0.000089 | 0.000181 | 0.000800 | 0.000428 | 0.013083 |
| 2008 | 0.001281 | 0.0015840 | 0.002865 | 0.002376 | 0.000295 | 0.000164 | 0.000615 | 0.005626 | 0.000094 | 0.000200 | 0.000519 | 0.000451 | 0.013205 |
| 2007 | 0.001408 | 0.0017950 | 0.003203 | 0.002673 | 0.000335 | 0.000185 | 0.000692 | 0.006263 | 0.000106 | 0.000870 | 0.000573 | 0.000480 | 0.015380 |

Source:
 Utah State Tax Commission

PRINCIPAL PROPERTY TAX PAYERS
 Current Year and Ten Years Ago

| Taxpayer | Principal Nature of Business | 2016 | | | 2007 | | |
|---------------------------------------|------------------------------|------|--------------------------------|---------------------------|------|--------------------------------|---------------------------|
| | | Rank | Taxable Assessed Valuation (1) | % of Total Assessed Value | Rank | Taxable Assessed Valuation (1) | % of Total Assessed Value |
| Columbia Ogden Medical Center..... | Healthcare | 1 | 45,279,025 | 12.7 | 1 | 27,716,848 | 10.3 |
| The Boyer Company..... | Professional Office | 2 | 6,974,318 | 2.0 | 2 | 4,491,712 | 1.7 |
| Stonehenge..... | Healthcare | 3 | 4,856,539 | 1.4 | | | |
| Pleasant Valley Office..... | Professional Office | 4 | 3,796,385 | 1.1 | 4 | 3,464,681 | 1.3 |
| Washington House Assisted Living..... | Healthcare | 5 | 3,552,032 | 1.0 | 3 | 2,645,882 | 1.0 |
| Ogden Orthopedic Medical..... | Healthcare | 6 | 2,636,867 | 0.7 | | | |
| Mt. Ogden Healt & Rehab..... | Healthcare | 7 | 2,677,928 | 0.8 | 5 | 2,036,642 | 0.8 |
| Lake Park Apartments Inc..... | Housing | 8 | 2,643,283 | 0.7 | 7 | 1,797,936 | 0.7 |
| Woodland Cove..... | Housing | 9 | 2,207,088 | 0.6 | | | |
| Questar Gas..... | Utilities | 10 | 2,058,565 | 0.6 | 10 | 1,512,382 | |
| ST Benedicks Development..... | | | | | 6 | 1,825,010 | 0.7 |
| GFI LTD..... | | | | | 8 | 1,642,200 | 0.6 |
| Health Care Property Investors..... | Healthcare | | | | 9 | 1,640,497 | 0.6 |
| Totals | | | \$ 76,682,030 | 21.6% | | \$ 47,133,293 | 17.5% |
| City Taxable Value | | | \$ 355,652,251 | 100.0% | | \$ 268,627,995 | 100% |

Note:
 (1) Assessed valuation includes real, personal and centrally assessed.

Source:
 Weber County Clerk Auditor

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Calendar Years

| Calendar Year December 31, | Taxes Levied for the Year | Less: Treasurer's Relief (1) | Net Taxes to be Collected | Collections Current Year Levy | % of Current Year Levy Collected | Collections in Subsequent Years (2) | Total Collections to Date | |
|-------------------------------|---------------------------------|------------------------------------|------------------------------|-------------------------------------|-------------------------------------------|-------------------------------------------|---------------------------|---------------|
| | | | | | | | Amount | % of Levy |
| 2015 | \$ 1,053,300 | \$ 37,651 | \$ 1,015,649 | \$ 1,015,649 | 96.4% | \$ 22,167 | \$ 1,037,816 | 98.53% |
| 2014 | 1,042,125 | 48,352 | 993,773 | 993,773 | 95.4% | 28,257 | 1,022,030 | 98.07 |
| 2013 | 922,382 | 48,662 | 873,720 | 873,720 | 94.72 | 21,756 | 895,476 | 97.08 |
| 2012 | 864,581 | 46,944 | 817,637 | 817,637 | 94.57 | 27,501 | 845,138 | 97.75 |
| 2011 | 859,026 | 44,151 | 814,875 | 814,875 | 94.86 | 31,562 | 846,437 | 98.53 |
| 2010 | 851,234 | 20,720 | 830,514 | 798,825 | 93.84 | 19,180 | 818,005 | 96.10 |
| 2009 | 839,520 | 20,993 | 818,527 | 783,283 | 93.30 | 26,655 | 809,938 | 96.48 |
| 2008 | 832,113 | 20,920 | 811,193 | 787,143 | 94.60 | 28,897 | 816,040 | 98.07 |
| 2007 | 778,700 | 19,075 | 759,625 | 729,321 | 93.66 | 25,858 | 755,179 | 96.98 |
| 2006 | 771,633 | 21,308 | 750,325 | 724,594 | 93.90 | 22,951 | 747,545 | 96.88 |

Note:

- (1) Treasurer's relief includes abatements
- (2) Delinquent tax collections do not include interest and penalties.

Source:
 Weber County Treasurer

DIRECT AND OVERLAPPING SALES TAX RATES
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>City Direct Rate</u> | <u>Weber County</u> | <u>State of Utah</u> | <u>Combined Rate</u> |
|--------------------|-------------------------|---------------------|----------------------|----------------------|
| 2016 | 1.00 | 1.40 | 4.70 | 7.10 |
| 2015 | 1.00 | 1.15 | 4.70 | 6.85 |
| 2014 | 1.00 | 1.15 | 4.70 | 6.85 |
| 2013 | 1.00 | 1.15 | 4.70 | 6.85 |
| 2012 | 1.00 | 1.15 | 4.70 | 6.85 |
| 2011 | 1.00 | 1.15 | 4.70 | 6.85 |
| 2010 | 1.00 | 1.15 | 4.70 | 6.85 |
| 2009 | 1.00 | 1.15 | 4.70 | 6.85 |
| 2008 | 1.00 | 1.10 | 4.65 | 6.75 |
| 2007 | 1.00 | 0.85 | 4.75 | 6.60 |

Source:
 Utah State Tax Commission



DEBT CAPACITY

INFORMATION

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

| Governmental Unit | Net Debt Outstanding (2) | Estimated % Applicable to City | Estimated \$ Applicable to City |
|-----------------------------------------------|-----------------------------------------|---------------------------------------------------|----------------------------------------------------|
| Weber County | \$ 39,818,015 | 1.77% | \$ 706,055 |
| Weber County School District | 132,770,000 | 3.80% | 5,051,328 |
| Weber Basin Water Conservancy District (1) | 21,139,452 | 0.70% | <u>147,671</u> |
| Total Overlapping Debt..... | | | 5,905,054 |
| Washington Terrace City Direct Debt..... | | | <u>2,963,736</u> |
| Total Direct and Overlapping Debt..... | | | <u><u>\$ 8,868,790</u></u> |

Notes:

(1) Weber Basin Water Conservancy District services all of Morgan and Weber County, most of Davis County, and portions of Box Elder and Summit Counties. Principal and interest payments on bonds outstanding are paid primarily from the sale of water. WBWCD bonds are shown as

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

The State of Utah general obligation debt is not included in the calculation of general obligation overlapping debt because the State does not levy property tax for the payment of general obligation bonds.

Source:
 Utah State Auditor
 Utah State Tax Commission

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---------------------------------------------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|
| Debt Limit | 14,226,090 | 13,397,045 | 13,149,338 | 12,863,918 | 13,352,357 | 13,283,439 | 13,642,616 | 13,493,229 | 12,176,450 | 10,745,120 |
| Total net debt applicable to limit | <u>1,714,243</u> | <u>1,996,598</u> | <u>2,307,171</u> | <u>2,600,320</u> | <u>2,899,793</u> | <u>3,174,793</u> | <u>3,437,094</u> | <u>3,684,467</u> | <u>3,936,010</u> | <u>4,182,289</u> |
| Legal debt margin | <u>\$12,511,847</u> | <u>\$11,400,447</u> | <u>\$10,842,167</u> | <u>\$ 10,263,598</u> | <u>\$10,452,564</u> | <u>\$10,108,646</u> | <u>\$10,205,522</u> | <u>\$9,808,762</u> | <u>\$8,240,440</u> | <u>\$6,562,831</u> |
| Total net debt applicable to debt limit as a percentage | 12.05% | 14.90% | 17.55% | 20.21% | 21.72% | 23.90% | 25.19% | 27.31% | 32.32% | 38.92% |

Legal Debt Margin Calculation for Fiscal Year 2015

| | |
|---------------------------------------------------------------------------------------------|----------------------|
| Total assessed value | \$355,652,251 |
| Debt limit - 4% of total assessed value | <u>14,226,090</u> |
| Amount of debt applicable to debt limits: General Obligation Refunding Bonds Series 2015 | 1,802,000 |
| Less: Amount available for repayment of general obligation bonds | 87,757 |
| Total net debt applicable to limit | <u>1,714,243</u> |
| Legal debt margin | <u>\$ 12,511,847</u> |

PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years

| Fiscal Year | Gross Operating Revenue | Operating Expenses less Depreciation | Net Available Revenue | Debt Service | | | Time Coverage % |
|----------------------------------------------------|-------------------------|--------------------------------------|-----------------------|--------------|-----------|-----------|-----------------|
| | | | | Principal | Interest | Total | |
| Utility Revenue Bonds | | | | | | | |
| 2016 | \$ 3,273,224 | \$ 2,354,498 | \$ 918,726 | \$282,000 | \$ 82,735 | \$364,735 | 2.52 |
| 2015 | 3,303,552 | 2,229,784 | 1,073,768 | 275,000 | 89,918 | 364,918 | 2.94 |
| 2014 | 3,320,481 | 1,922,097 | 1,398,384 | 266,000 | 88,728 | 354,728 | 3.94 |
| 2013 | 3,007,462 | 2,021,772 | 985,690 | 263,639 | 96,473 | 360,112 | 2.74 |
| 2012 | 2,808,913 | 1,761,918 | 1,046,995 | 257,000 | 113,289 | 370,289 | 2.83 |
| 2011 | 2,704,805 | 1,720,634 | 984,171 | 220,000 | 209,952 | 429,952 | 2.29 |
| 2010 | 2,645,228 | 1,627,410 | 1,017,818 | 160,000 | 129,648 | 289,648 | 3.51 |
| 2009 | 2,732,066 | 1,586,487 | 1,145,579 | 155,000 | 136,391 | 291,391 | 3.93 |
| 2008 | 2,248,433 | 1,307,046 | 941,387 | 150,000 | 142,766 | 292,766 | 3.22 |
| 2007 | 1,856,220 | 1,352,914 | 503,306 | 140,000 | 148,576 | 288,576 | 1.74 |
| Sales & Franchise Tax Revenue Bonds (1) | | | | | | | |
| 2016 | \$ 1,727,094 | \$ - | \$ 1,727,094 | \$101,000 | \$ 15,840 | \$116,840 | 14.78 |
| 2015 | \$ 1,673,932 | \$ - | 1,673,932 | 102,000 | 17,870 | 119,870 | 13.96 |
| 2014 | 1,617,855 | - | 1,617,855 | 107,000 | 19,488 | 126,488 | 12.79 |
| 2013 | 1,586,926 | - | 1,586,926 | 53,000 | 35,891 | 88,891 | 17.85 |
| 2012 | 1,551,034 | - | 1,551,034 | 77,000 | 38,201 | 115,201 | 13.46 |
| 2011 | 1,448,168 | - | 1,448,168 | 300,000 | 73,824 | 373,824 | 3.87 |
| 2010 | 1,383,189 | - | 1,383,189 | 270,000 | 45,626 | 315,626 | 4.38 |
| 2009 | 1,406,644 | - | 1,406,644 | 556,000 | 59,526 | 615,526 | 2.29 |
| 2008 | - | - | - | - | - | - | - |

Notes:

(1) Sales and Franchise Tax Revenue Bonds, Series 2009 and Sales and Franchise Tax Refunding Bonds, Series 2013.

For additional information on the City's outstanding debt, refer to Note 8 and 9 to the financial statements.

RATIOS OF GENERAL OBLIGATION (GO) BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

| Fiscal Year | Population | Assessed Value | Gross Bonded Debt | Less Debt Service Available | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded GO Debt Per Capita |
|--------------------|-------------------|-----------------------|--------------------------|------------------------------------|------------------------|---------------------------------------------------|--------------------------------------|
| 2016 | 9,157 | \$ 355,652,251 | \$ 1,802,000 | \$ 87,757 | \$1,714,243 | 0.48 | \$ 187 |
| 2015 | 9,164 | 334,926,134 | 2,085,000 | 88,402 | 1,996,598 | 0.60 | 218 |
| 2014 | 9,164 | 328,733,458 | 2,390,000 | 82,829 | 2,307,171 | 0.70 | 252 |
| 2013 | 9,147 | 321,597,942 | 2,685,000 | 84,680 | 2,600,320 | 0.81 | 284 |
| 2012 | 9,106 | 333,808,922 | 2,970,000 | 70,207 | 2,899,793 | 0.87 | 318 |
| 2011 | 9,106 | 332,085,987 | 3,245,000 | 70,207 | 3,174,793 | 0.96 | 349 |
| 2010 | 9,067 | 341,065,402 | 3,510,000 | 72,906 | 3,437,094 | 1.01 | 379 |
| 2009 | 8,515 | 337,330,733 | 3,765,000 | 80,533 | 3,684,467 | 1.09 | 433 |
| 2008 | 8,389 | 304,411,259 | 4,010,000 | 73,990 | 3,936,010 | 1.29 | 469 |
| 2007 | 8,247 | 268,627,995 | 4,240,000 | 57,711 | 4,182,289 | 1.56 | 507 |

Notes:
 For additional information on the City's outstanding debt, refer to the notes to the financial statements.

Sources:
 US Census Bureau
 Weber County Clerk Auditor

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | | | | Business-Type Activities | | | | | % of Personal Income (1) | Per Capita (1) |
|-------------|------------------------------|--------------------------------|--------------------------------|---------------|---------------------------------------|------------------------------|--------------------------------------|-----------------------------|---------------|------------------------------|--------------------------|--------------------------|----------------|
| | General Obligation Bonds (3) | Sales Tax Revenue Bonds (4)(5) | Utility Revenue Bonds (10)(11) | Capital Lease | Redevelopment Tax Increment Bonds (6) | Special Assessment Bonds (7) | Utility Revenue Bonds (8)(9)(10)(11) | Sales Tax Revenue Bonds (5) | Capital Lease | Special Assessment Bonds (7) | Total Primary Government | | |
| 2016 | \$ 1,802,000 | \$ 533,333 | \$ 450,550 | \$ 177,853 | \$ - | \$ - | \$ 1,962,450 | \$ 266,667 | \$ - | \$ - | \$ 5,192,853 | na | 567 |
| 2015 | 2,085,000 | 601,333 | 474,353 | 220,000 | - | - | 2,213,647 | 300,667 | - | - | 5,895,000 | na | 643 |
| 2014 | 2,390,000 | 660,000 | 497,437 | | 257,745 | - | 2,463,563 | 330,000 | 27,309 | - | 6,626,054 | 2.02 | 723 |
| 2013 (2) | 2,685,000 | 744,000 | 519,651 | | 504,208 | 6,783 | 2,707,349 | - | 44,700 | 393,217 | 7,604,908 | 2.35 | 831 |
| 2012 | 2,970,000 | 797,000 | | | 739,608 | 435,000 | 3,491,000 | | 61,467 | | 8,494,075 | 2.73 | 933 |
| 2011 | 3,245,000 | 874,000 | | | 964,441 | 470,000 | 3,748,000 | | 69,623 | | 9,371,064 | 3.17 | 1,029 |
| 2010 | 3,510,000 | 1,144,000 | | | 1,179,180 | 500,000 | 2,360,000 | | - | | 8,693,180 | 2.92 | 959 |
| 2009 | 3,765,000 | 1,700,000 | | | 1,384,279 | 525,000 | 2,520,000 | | - | | 9,894,279 | 3.43 | 1,162 |
| 2008 | 4,010,000 | - | | | 1,580,172 | 550,000 | 2,675,000 | | 11,237 | | 8,826,409 | 3.11 | 1,052 |
| 2007 | 4,240,000 | - | | | 1,767,271 | 575,000 | 2,825,000 | | 21,928 | | 9,429,199 | 3.63 | 1,143 |

Notes:

- (1) See Demographic and Economic Statistics for personal income and population data. These ratios are calculated using personal income and population reported from the prior calendar year.
- (2) Fiscal year debt outstanding restated according to activity type. Refer to the Fiscal Year ended June 30, 2014, CAFR, Note 16, Prior Period Adjustments
- (3) General Obligation Refunding Bonds Series 2015 (Refunded GO Ref Series 2005), par \$1,802,000
- (4) Sales Tax Revenue Bond, Series 2009, par \$1,700,000
- (5) Sales Tax Revenue Refunding Bonds, Series 2013 (Refunded Sales Tax Series 2009 and Special Assessment Series 2001), par \$1,097,000
- (6) RDA Tax Increment Revenue Refunding Bonds, Series 2003, par \$2,490,000
- (7) Special Assessment Bonds, Series 2001, par \$2,360,000
- (8) Utility Revenue Bonds, Series 2001, par \$3,600,000
- (9) Utility Revenue Refunding Bonds, Series 2010A, par \$2,505,000
- (10) Water Utility Revenue Bonds, Series 2010B, par \$708,000
- (11) Sewer Utility Revenue Bonds, Series 2010C, par \$835,000

For additional information on the City's outstanding debt, refer to Note 8 and 9 to the financial statements.

**DEMOGRAPHIC & ECONOMIC
INFORMATION**

DEMOGRAPHIC AND ECONOMIC INDICATORS
Last Ten Fiscal Years

| Fiscal Year | Population | | | | | | Income (1) | | Employment |
|-------------|------------|-------------------------------|--------------|---------------------------------|---------------|--------------------------------|-------------------------|----------------------------|-------------------------------------|
| | City | City % Change From Prior Year | Weber County | County % Change From Prior Year | State of Utah | State % Change From Prior Year | Personal Income (\$000) | Per Capita Personal Income | Utah Unemployment Rate for June 30, |
| 2016 | 9,157 | -0.08% | 243,645 | 1.32% | 2,995,919 | 1.80% | n/a | n/a | 4.00% |
| 2015 | 9,164 | 0.00% | 240,475 | 0.82% | 2,942,902 | 1.45% | 320,172 | 34,938 | 3.50% |
| 2014 | 9,164 | 0.19% | 238,519 | 0.79% | 2,900,872 | 1.60% | 328,474 | 35,844 | 3.50 |
| 2013 | 9,147 | 0.45% | 236,640 | 0.95% | 2,855,287 | 1.47% | 323,392 | 35,355 | 4.60 |
| 2012 | 9,106 | 0.00% | 234,420 | 1.38% | 2,813,923 | 1.41% | 310,578 | 34,107 | 5.50 |
| 2011 | 9,106 | 0.43% | 231,236 | -0.26% | 2,774,663 | 0.39% | 296,063 | 32,513 | 7.00 |
| 2010 | 9,067 | 6.48% | 231,834 | 2.04% | 2,763,885 | 3.79% | 297,253 | 32,784 | 8.10 |
| 2009 | 8,515 | 1.50% | 227,193 | 2.78% | 2,663,029 | 2.51% | 288,514 | 33,883 | 7.90 |
| 2008 | 8,389 | 1.72% | 221,044 | 2.26% | 2,597,746 | 2.86% | 283,666 | 33,814 | 3.20 |
| 2007 | 8,247 | -1.19% | 216,165 | 1.17% | 2,525,507 | 2.76% | 259,789 | 31,501 | 2.60 |

Note:

(1) Estimated

(2) Applies to Weber County

Source:

Weber County Clerk Auditor

US Census Bureau

Utah Department of Workforce Services

US Department of Labor, Bureau of Labor Statistics

Utah State Tax Commission

US Department of Commerce, Bureau of Economic Analysis

PRINCIPAL EMPLOYERS
 Current Year and Seven Years Ago

| Employer | Principal Nature of Business | 2015 | | | | 2008 | | | |
|----------------------------------------------|------------------------------|------|--------------------------|--------------------------|--------------------------------|------|--------------------------|--------------------------|--------------------------------|
| | | Rank | Yearly Minimum Employees | Yearly Maximum Employees | % of Total City Employment (1) | Rank | Yearly Minimum Employees | Yearly Maximum Employees | % of Total City Employment (1) |
| Ogden Regional Medical Center..... | Health Care | 1 | 500 | 999 | 39.2 | 1 | 500 | 750 | 41.7 |
| Weber School District..... | Education | 2 | 100 | 249 | 9.8 | 2 | 300 | 349 | 19.4 |
| Stonehenge of Ogden..... | Health Care | 3 | 50 | 99 | 3.9 | | | | |
| Goldenwest Credit Union..... | Financial | 4 | 50 | 99 | | | | | |
| Washington Heights Healthcare Inc..... | Health Care | 5 | 50 | 99 | 3.9 | | | | |
| Gauss Management Research & Engineering..... | Professional | 6 | 20 | 49 | 1.9 | | | | |
| Legacy House of Ogden..... | Health Care | 7 | 50 | 99 | 3.9 | 6 | 75 | 99 | 5.5 |
| Washington Terrace Care & Rehab..... | Health Care | 8 | 50 | 99 | 3.9 | | | | |
| Wasatch Physical Therapy, Inc..... | Health Care | 9 | 20 | 49 | 1.9 | | | | |
| Bravo Arts Academy..... | Education | 10 | 20 | 49 | 1.9 | | | | |
| Family Fresh Foods..... | Grocery | | | | | 3 | 50 | 74 | 4.1 |
| Mountain Star Blood Services..... | Health Care | | | | | 4 | 20 | 49 | 2.7 |
| Bear Care Pediatric, Inc..... | Health Care | | | | | 5 | 20 | 49 | 2.7 |
| Vistacare Hospice..... | Health Care | | | | | 7 | 20 | 49 | 2.7 |
| Washington Terrace City..... | Government | | | | | 8 | 20 | 49 | 2.7 |
| Adams Ave Parkway..... | Commercial | | | | | 9 | 10 | 19 | 1.1 |
| Terrace Depot..... | Commercial | | | | | 10 | 10 | 19 | 1.1 |
| Total | | | 910 | 1,890 | 70.2% | | 1,025 | 1,506 | 83.7% |

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

Data range will increase to ten years over time.

Source:
 Utah Department of Workforce Services



OPERATING
INFORMATION

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-----------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Fire Protection | | | | | | | | | | |
| Number of full-time employees | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | - | - |
| Number of volunteers | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 22 |
| Fire calls for service | 98 | 81 | 131 | 257 | 175 | 117 | 143 | 106 | 99 | * |
| Medical calls for service | 940 | 786 | 708 | 710 | 669 | 736 | 629 | 659 | 626 | * |
| Police Protection & Animal Control | | | | | | | | | | |
| Police calls for service | * | 5,237 | 4,601 | 4,734 | 4,342 | 4,893 | 4,834 | 5,071 | 4,880 | * |
| Animal control calls for service | 294 | 335 | 275 | 302 | 192 | 166 | 115 | 175 | 181 | * |
| Municipal Water Services | | | | | | | | | | |
| Connections | 2,887 | 2,884 | 2,880 | 2,878 | 2,876 | 2,870 | 2,858 | 2,848 | 2,838 | 2,835 |
| Gallons billed (in millions) | 206,591 | 213,021 | 217,174 | 218,677 | 218,559 | 223,170 | 224,676 | 233,260 | 243,605 | 253,701 |
| Gallons used (in millions) | 248,855 | 242,560 | 243,023 | 251,541 | 251,989 | 256,522 | 269,452 | 288,069 | 292,296 | 295,881 |
| Municipal Sewer Services | | | | | | | | | | |
| Connections | 2,878 | 2,875 | 2,856 | 2,871 | 2,845 | 2,849 | 2,842 | 2,825 | 2,823 | 2,820 |
| Municipal Refuse Services | | | | | | | | | | |
| Service containers (general use) | 2,648 | 2,645 | 2,613 | 2,607 | 2,601 | 2,631 | 2,635 | 2,635 | 2,635 | 1,815 |
| Refuse tonage disposed | 3,074 | 3,076 | 2,886 | 3,028 | 3,053 | 3,149 | 3,099 | * | * | * |
| Recycle tonage disposed | 381 | 415 | 405 | 412 | 352 | 546 | 445 | * | * | * |
| Parks and Recreation | | | | | | | | | | |
| Football participants | 120 | 125 | 143 | 130 | 123 | 136 | 114 | 109 | 113 | * |
| Basketball participants | 160 | 160 | 162 | 123 | 120 | 117 | 114 | 139 | 110 | * |
| Baseball/softball participants | 260 | 260 | 222 | 203 | 153 | 150 | 145 | 130 | 109 | * |
| Soccer participants | 120 | 140 | 130 | 115 | 105 | 92 | 86 | na | na | na |
| Volleyball participants | 40 | 31 | 14 | na | na | na | na | na | na | na |
| Business Licenses | | | | | | | | | | |
| Licenses issued | 409 | 423 | 438 | 415 | 411 | 410 | 412 | 432 | 433 | 336 |

Note:
 * Information not available at the time of report compilation.

Source:
 City departments

CAPITAL ASSETS BY FUNCTION
Last Ten Fiscal Years

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Area (square miles) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Streets | | | | | | | | | | |
| Lane miles | 58 | 58 | 58 | 53 | 53 | 53 | 53 | 53 | 53 | 53 |
| Street lights | 286 | 286 | 286 | 286 | 286 | 286 | 286 | 286 | 286 | 286 |
| Police Protection & Animal Control | | | | | | | | | | |
| Fire Protection | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire hydrants | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 260 | 260 |
| Fire pumping vehicles | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 |
| Education | | | | | | | | | | |
| High schools (public) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Junior high schools (public) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Elementary schools (public) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Municipal Water Facilities | | | | | | | | | | |
| Miles of water mains | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 |
| Municipal Sewer Facilities | | | | | | | | | | |
| Miles of sewer mains | 31 | 31 | 31 | 31 | 29 | 29 | 29 | 29 | 29 | 29 |
| Parks and Recreation | | | | | | | | | | |
| Parks | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 6 |
| Community centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Park and open space acreage | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 48 |

Note:
 * Information not available at the time of report compilation.

Source:
 City departments

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

| Governmental Activities | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Government | 6.56 | 6.56 | 6.56 | 6.34 | 6.06 | 5.56 | 5.55 | 5.55 | 5.68 | 5.50 |
| Public Safety | 3.63 | 3.63 | 3.63 | 3.63 | 3.63 | 3.63 | 2.65 | 2.65 | 2.50 | 2.50 |
| Highways and Public Works | 8.73 | 8.73 | 8.73 | 8.75 | 8.75 | 8.75 | 8.75 | 8.75 | 9.00 | 8.00 |
| Parks and Recreation | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 |
| Total Employees | <u>20.32</u> | <u>20.32</u> | <u>20.32</u> | <u>20.12</u> | <u>19.84</u> | <u>19.34</u> | <u>18.35</u> | <u>18.35</u> | <u>18.58</u> | <u>17.40</u> |

Note:
 General Government and Highways and Public Works Employees overlap between Business-Type Activities and Governmental Activities.

Source:
 City of Washington Terrace

PROPERTY VALUE AND CONSTRUCTION
 Last Ten Fiscal Years

| Fiscal Year | New | | Additions, Alterations, Repairs | | | Total | | % Change from Prior Year | | |
|-------------|----------------|---------------------------|---------------------------------|------------|---------------------------|-------------------------------|------------|----------------------------|------------|----------------------------|
| | # of Buildings | Residential Value (\$000) | Non-Residential Value (\$000) | # of Units | Residential Value (\$000) | Non-Residential Value (\$000) | # of Units | Construction Value (\$000) | # of Units | Construction Value (\$000) |
| 2016 | 16 | 1,832 | 425.7 | 40 | 609.1 | 4,828.2 | 56 | 7,695 | 2% | 458% |
| 2015 | - | - | 69 | 55 | 362 | 947 | 55 | 1,379 | 1000% | 61% |
| 2014 | 1 | 229 | - | 4 | 44 | 585 | 5 | 857 | -95% | -87% |
| 2013 | 13 | 3,283 | 2,107 | 88 | 506 | 744 | 101 | 6,639 | 339% | 399% |
| 2012 | 1 | 291 | 66 | 22 | 367 | 607 | 23 | 1,331 | -21% | -55% |
| 2011 | 3 | 160 | 872 | 26 | 131 | 1,820 | 29 | 2,983 | 222% | 409% |
| 2010 | 4 | 308 | 219 | 5 | 45 | 15 | 9 | 586 | -91% | -92% |
| 2009 | 3 | 108 | 408 | 93 | 2,202 | 4,504 | 96 | 7,222 | -34% | 90% |
| 2008 | - | - | - | 145 | 874 | 2,918 | 145 | 3,793 | 6% | -65% |
| 2007 | 14 | 1,887 | 4,996 | 123 | 556 | 3,384 | 137 | 10,823 | 36% | 63% |

Source:
 Bureau of Economic and Business Research, Utah Construction Report, David Eccles School of Business,
 University of Utah

**INTERNAL CONTROLS
&
COMPLIANCE REPORTS**



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

Honorable Mayor and
Members of the City Council
City of Washington Terrace
Washington Terrace, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington Terrace, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Washington Terrace's (the City) basic financial statements, and have issued our report thereon dated October 13, 2016.

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. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying *Schedule of Findings and Recommendations*.

Response to Finding

City of Washington Terrace's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Keddington & Christensen, LLC

October 13, 2016



**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH
THE STATE COMPLIANCE AUDIT GUIDE ON COMPLIANCE
WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND
INTERNAL CONTROL OVER COMPLIANCE**

Honorable Mayor and
Members of the City Council
City of Washington Terrace
Washington Terrace, Utah

Report on Compliance with General State Compliance Requirements

We have audited the City of Washington Terrace's 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 or each of its major state programs for the year ended June 30, 2016.

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

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

The City did not have any state funding classified as a major program during the year ended June 30, 2016.

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 Washington Terrace 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 could have a direct and material effect on the City and its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on General State Compliance Requirements

In our opinion, the City of Washington Terrace complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the accompanying *Schedule of Findings and Recommendations*. Our opinion on compliance is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of Findings and Recommendations*. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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

Keddington & Christensen, LLC

October 13, 2016

CITY OF WASHINGTON TERRACE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2016

STATE COMPLIANCE

EXPENDITURES IN EXCESS OF BUDGET

Criteria:

Utah State Code 10-6-123, indicates that officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund.

Condition:

The City expenditures for the Redevelopment Agency exceeded its legally adopted budget for the entire fund for the year. The total final amended adopted legal budget expenditures were \$1,769,577. The final actual expenditures were \$1,902,362, exceeding the final budget by \$132,785.

Cause:

The City did not budget for the total *allowable* STP federal aid and related expenses for the Adams Avenue Road Reconstruction Project.

Effect:

Allowable federal aid expenses exceeded the original project bid amounts and related approved budget amounts.

Recommendation:

We recommend the City monitor more closely the expenditures as compared to the approved budget.

City's Response:

For STP projects, the City will budget for the total *allowable* federal aid and related expenses rather than original project bid amounts.

APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE OF INDENTURE

The following contains extracts of certain provisions and definitions contained in the Indenture and is not to be considered as a full statement thereof. Reference is made to the Indenture for full details of the Indenture, terms of the 2017 Bonds and the security provisions appertaining thereto.

DEFINITIONS

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

“Aggregate Annual Debt Service Requirement” means the total principal, interest and premium payments due and payable for any one Bond Fund Year (less capitalized interest and principal payable on any bond anticipation notes) on all Series of Bonds Outstanding or any specified portion thereof, *provided, however*, that, for purposes of determining Aggregate Debt Service under Sections 6.1(a) of the Indenture, when calculating interest payable at a variable rate which cannot be ascertained for any particular Fiscal Year, it shall be assumed that the applicable Bonds will bear interest at the average of the variable rates applicable to such Bonds during any 24-month period (or a shorter period, commencing on the date of issuance of the Bonds) ending within 60 days prior to the date of computation, or, with respect to any Bonds for which such an average of the variable rates cannot be determined, at a rate certified by the Issuer’s financial advisor, underwriter or other agent, including a remarketing agent, to be the rate of interest such Bonds would bear if issued on the date of computation in the same amount, with the same maturity or maturities, with the same security, and bearing interest at a variable rate computed in a comparable manner.

“Average Aggregate Debt Service” means, as of any date of calculation, the amount obtained by dividing (i) the sum of the principal, interest and premium payments by all series of Bonds then Outstanding for each Fiscal Year during which any Bonds are or will be Outstanding by (ii) the number of such Fiscal Years. For purposes of determining Average Aggregate Debt Service under Sections 2.13(b) of the Indenture, when calculating interest payable at a variable rate which cannot be ascertained for any particular Fiscal Year, it shall be assumed that the applicable Bonds will bear interest at the average of the variable rates applicable to such Bonds during any 24-month period (or a shorter period, commencing on the date of issuance of the Bonds) ending within 60 days prior to the date of computation, or, with respect to any Bonds for which such an average of the variable rates cannot be determined, at a rate certified by the Issuer’s financial advisor, underwriter or other agent, including a remarketing agent, to be the rate of interest such Bonds would bear if issued on the date of computation in the same amount, with the same maturity or maturities, with the same security, and bearing interest at a variable rate computed in a comparable manner.

“*Bond Fund*” means the City of Washington Terrace, Weber County, Utah Water, Sewer, Storm Water and Refuse Collection Revenue Bond Fund created in the Indenture to be held by the Trustee.

“*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 Bonds and shall end on the next succeeding June 30.

“*Bondholder,*” “*Bondowner,*” “*Registered Owner*” or “*Owner*” means the registered owner of any Bonds.

“*Bonds*” means Initial Bonds and any Additional Bonds.

“*Business Day*” means any day (i) on which banking business is transacted, but not including any day on which banks are authorized to be closed in New York City or in the city in which the Trustee has its principal corporate trust office and (ii) on which the New York Stock Exchange is open.

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

“*Construction Fund*” means the City of Washington Terrace, Weber County, Utah Water, Sewer, Storm Water, and Refuse Collection Revenue Construction Fund created in the Indenture to be held by the Trustee.

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

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

(f) printing, engraving and other expenses of financing, including premiums for municipal bond insurance, fees of financial rating services and fees for issuance of bank letters of credit or similar banking arrangements and costs of issuing the Series of Bonds relating to a Project;

(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 equipment purchased by the Issuer and necessary to the completion and proper operation of a Project;

(i) amounts required to repay temporary or bond anticipation loans or notes made to finance the costs of a Project;

Project; (j) cost of site improvements performed by the Issuer in anticipation of a

(k) moneys necessary to fund the Funds created under the Indenture;

(l) costs of the capitalization with proceeds of a Series of Bonds issued under the Indenture of any operation and maintenance expenses and other working capital appertaining to any facilities to be acquired for a Project and of any interest on a Series of Bonds for any period not exceeding the period estimated by the Issuer to effect the construction of a Project plus one year, as in the Indenture provided, of any discount on bonds or other securities, and of any reserves for the payment of the principal of and interest on a Series of Bonds, of any replacement expenses and of any other cost of issuance of a Series of Bonds or other securities, 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 any project for refunding or redeeming any bonds or other obligations, "Cost" includes, without limiting the generality of the foregoing, the items listed in (c), (e), (f) and (k) 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). Whenever Costs are required to be itemized, such itemization shall, to the extent practicable, correspond with the items listed above.

“*Debt Service Reserve Fund*” means the City of Washington Terrace, Weber County, Utah Water, Sewer, Storm Water, and Refuse Collection Revenue Debt Service Reserve Fund created in the Indenture to be held by the Trustee.

“*Debt Service Reserve Requirement*” means with respect to each Series of Bonds issued pursuant to the Indenture, and 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 its initial purchase price to the public, (ii) the maximum Aggregate Annual Debt Service Requirement during any Bond Fund Year for such Series of Bonds, and (iii) 125% of the average Aggregate Annual Debt Service Requirement for such Series of Bonds; *provided, however*, that in the event any Series of Additional Bonds is issued to refund only a portion and not all of the then Outstanding Bonds of any other Series of Bonds issued pursuant to the Indenture (the “*Prior Bonds*”), then the portion of such Series of Prior Bonds that remain Outstanding immediately after the issuance of such Additional Bonds and the portion of such Additional Bonds that is allocable to the refunding of such Series of Prior Bonds shall be combined and treated as a single Series for purpose of determining the Debt Service Reserve Requirement relating to such combined Series. The Debt Service Reserve Requirement may be funded by a Reserve Instrument as in the Indenture provided. Each Subaccount of the Debt Service Reserve Fund shall only be used with respect to the related Series of Bonds. The Series 2017 Debt Service Requirement with respect to the Series 2017 Bonds is described in this Official Statement under the caption, “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS—No Debt Service Reserve Requirement for the 2017 Bonds.”

“*Direct Obligations*” means cash, Government Obligations and money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S & P of AAAM-G, AAAM, or AA-m and if rated by Moody’s rated Aaa, Aa1 or Aa2.

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

“*Fiscal Year*” means the 12-month period beginning July 1 of each year and ending June 30 of the following year, or such other fiscal year of the Issuer as may be determined by the Issuer or as may be prescribed by law.

“*Government Obligations*” means 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”).

“*Gross Proceeds*” shall mean with respect to any Series of Bonds the gross proceeds of such Series of Bonds as defined in Section 148(f)(6)(B) of the Code and Section 1.148-1(b) of the Regulations.

“*Indenture*” means the Indenture of Trust as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms of the Indenture.

“*Initial Bonds*” means the first Series of Bonds issued under the Indenture.

“*Interest Payment Date*” means the stated maturity date of an installment of interest on the Bonds.

“*Issuer*” means the City of Washington Terrace, Weber County, Utah and its successors. “*Mayor*” means the Mayor of the Issuer or any successor to the duties of such office. “*Moody’s*” means Moody’s Investors Service, Inc.

“*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 municipality or company pursuant to contract or otherwise, necessary to keep the System in efficient operating condition, including cost of audits required in the Indenture, payment of promotional and marketing expenses and real estate brokerage fees, payment of premiums for the insurance required in the Indenture, Reserve Instrument Costs and, generally all expenses, exclusive of depreciation, 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.

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

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

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

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

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

“*Project*” means the acquisition or construction of additions or improvements to the Issuer’s System.

“*Qualified Investments*” means any of the following securities:

- Direct Obligations;
- Obligations of any of the following federal agencies which obligations represent full faith and credit obligations of the United States of America: the Export-Import Bank of the United States; the Government National Mortgage Association; the Federal Financing Bank; the Farmer’s Home Administration; the Federal Housing Administration; the Maritime Administration; General Services Administration, Small Business Administration; or the Department of Housing and Urban Development (PHA’s);
- Money market funds rated “AAAm” or “AAAm-G” or better by S & P (including those mutual funds or investment companies or trusts for which the Trustee or an affiliate of the Trustee serves as investment advisor, custodian, shareholder servicing agent, transfer agent, administrator or distributor);
- 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;
- 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;
- U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks 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);
- The fund held by the Treasurer for the State of Utah and commonly known as the Utah State Public Treasurer’s Investment Fund; and

- Any investments or securities permitted for investment of public funds under the State Money Management Act of 1974, Title 51, Chapter 7, Utah Code Annotated 1953, as amended.

“*Rate Covenant Requirement*” has the meaning assigned to such term in paragraph (a) under the caption “ISSUER COVENANTS–General Covenants.”

“*Rated Obligations*” means obligations which at the time of their purchase under the Indenture are rated in either of the two highest long-term debt Rating Categories by a Rating Agency or in its highest short-term debt Rating Category.

“*Rating Agency*” means Moody’s or S & P and their successors and assigns to the extent such agencies then maintain a rating of the Bonds at the request of the Issuer. If either such corporation ceases to act as a securities rating agency, the Issuer may, with the approval of the Trustee, designate any nationally recognized securities rating agency as a replacement.

“*Rating Category*” or “*Rating Categories*” means 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*” shall mean with respect to any Series of Bonds 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 each Series of Bonds, the interest payment date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the Initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last bond for such Series.

“*Rebate Fund*” means the City of Washington Terrace, Weber County, Utah Water, Sewer, Storm Water, and Refuse Collection Revenue Rebate Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“*Refuse Collection System*” means that portion of the System utilized for refuse collection.

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

“*Regular Record Date*” means the fifteenth day (whether or not a Business Day) next 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 made thereto.

“Repair and Replacement Fund” means the City of Washington Terrace, Weber County, Utah Water, Sewer, Storm Water, and Refuse Collection Revenue Repair and Replacement Fund created in the Indenture to be held by the Issuer and administered pursuant to the Indenture.

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

“Reserve Instrument” means a device or instrument issued by a Reserve Instrument Issuer 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 and providing for the issuance by such Reserve Instrument Provider of a Reserve Instrument.

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

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

“Reserve Instrument Fund” means the City of Washington Terrace, Weber County, Utah Water, Sewer, Storm Water, and Refuse Collection Revenue Reserve Instrument Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Reserve Instrument Limit” means, as of any date of calculation and with respect to any Reserve Instrument, the maximum aggregate amount available to be paid under such Reserve Instrument into the Debt Service Reserve Fund assuming for purposes of such calculation that the amount initially available under each Reserve Instrument has not been reduced or that the amount initially available under each Reserve Instrument has only been reduced as a result of the payment of principal of the Bonds.

“Reserve Instrument Provider” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other institution issuing a Reserve Instrument

“Reserve Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Reserve Instrument Agreement, those outstanding amounts payable by the Issuer under such Reserve Instrument Agreement to repay the Reserve Instrument Provider for payments previously made by it pursuant to a Reserve Instrument. There shall not be included in the calculation of Reserve Instrument Repayment Obligations any Reserve Instrument Costs.

“Revenue Fund” means the City of Washington Terrace, Weber County, Utah Water, Sewer, Storm Water, and Refuse Collection Revenue Fund created in the Indenture in the hands of the Issuer to be administered pursuant to the Indenture.

“Revenues” means all revenues, fees, impact fees (to the extent legally pledged by the Issuer with respect to System improvements financed with Bond Proceeds), income, rents and receipts (including any interest subsidy payments received by the Issuer with respect to the Bonds) received or earned by the Issuer from or attributable to the ownership and operation of the System, together with all interest earned by and profits derived from the sale of investments in the related funds thereof.

“S & P” means Standard & Poor’s Corporation.

“Security Instrument” means an outstanding instrument or other device (other than a Reserve Instrument) 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.

“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.

“Security Instrument Issuer” means any bank, savings and loan association, savings bank, thrift institution, credit union, 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, any outstanding amounts payable by the Issuer for payments 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.

“Serial Bonds” means those Bonds other than Term Bonds.

“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.

“*Sewer System*” means that portion of the System utilized for sewer services.

“*Sinking Fund Account*” means the City of Washington Terrace, Weber County, Utah Revenue Sinking Fund Account of the Bond Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“*Sinking Fund Installment*” means the amount of money which is required to be deposited into the Sinking Fund Account in each Bond Fund Year as specified in the Supplemental Indenture authorizing the Bonds of a Series for the retirement of Term Bonds of such Series, if any (whether at maturity or by redemption). The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

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

“*State*” means the State of Utah.

“*Storm Water System*” means the Issuer’s storm water drainage system.

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

“*System*” means the Issuer’s Water System, Storm Water System, Sewer System, and Refuse Collection 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, water rights and rights of way of the Issuer and all other works, property, structures, equipment of the Issuer and contract rights and other tangible and intangible assets of the Issuer now or hereafter owned or used in connection with, or related to said System.

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

“*Trustee*” means U.S. Bank, National Association, Salt Lake City, Utah 84101, or any successor corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

“*Water System*” means that portion of the System utilized for water services.

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

THE BONDS

Limited Obligation. The Bonds shall be a valid claim of the respective Registered Owners thereof only against the Net Revenues and other moneys in funds and accounts held by the Trustee under the Indenture (except the Rebate Fund) and the Issuer under the Indenture pledges and assigns the same for the equal and ratable payment of the Bonds, 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, except as may be otherwise expressly authorized in the Indenture. The issuance of the Bonds 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.

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

Issuance of Additional Bonds. No additional indebtedness, bonds or notes of the Issuer payable on a priority to the pledge of Net Revenues for the payment of the Bonds in the Indenture authorized shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds. In addition, no Additional Bonds or other indebtedness, bonds or notes of the Issuer payable on a parity with the Bonds in the Indenture authorized out of Net Revenues shall be created or incurred, unless the following requirements have been met:

- (a) The Issuer has been in compliance for the most recent Fiscal Year with all covenants in the Indenture as evidenced in a certificate delivered by the Issuer to the Trustee prior to the issuance of the Additional Bonds.
- (b) In the case of Additional Bonds issued for the purposes set forth in (e)(ii) below, the Issuer shall have delivered to the Trustee a certificate:
 - (1) setting forth the Estimated Net Revenues (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 Bonds are used to fund interest during the construction period, or

(ii) if (i) is not the case, for the then current Bond Fund Year and each succeeding Bond Fund Year to and including the second Bond Fund Year succeeding the latest estimated date of completion of the Improvements; and

(2) verifying that the Estimated Net Revenues as shown in (1) above for each of such Bond Fund Years are projected to be not less than 125% of the Average Aggregate Debt Service 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 subsection (b), "Estimated Net Revenues" shall be determined as follows:

(A) The total Net Revenues of the System for the most recent Year immediately preceding the authentication and delivery of the Additional Bonds in which such information is available to the Issuer shall be first be determined. For purposes of these calculations, Revenues may be adjusted to give full effect to rate increases implemented prior to the issuance of the Additional Bonds.

(B) Next, the additional Net Revenues, if any, resulting from the Improvements financed with the proceeds of the Additional Bonds will be estimated for the applicable Bond Fund Years.

(C) The Estimated Net Revenues will be the sum of the Net Revenues as calculated in (A) above, plus 100% of the estimated additional Net Revenues as calculated in (B) above.

(c) All payments required by the Indenture to be made into the Bond Fund must have been made in full, and there must be in the Debt Service Reserve Fund the full amount required by the Indenture to be accumulated therein at such time.

(d) The proceedings authorizing the Additional Bonds must specify that the Subaccount in the Debt Service Reserve Fund relating to the Additional Bonds shall be funded in an amount no less than the Debt Service Reserve Requirement for such Series of Additional Bonds.

(e) The proceeds of the Additional Bonds must be used (i) to refund Bonds issued under the Indenture or other obligations of the Issuer (including the funding of necessary reserves and the payment of costs of issuance) or (ii) to make additions,

improvements, extensions, replacements or repairs to the System (including the funding of necessary reserves and the payment of costs of issuance).

(f) No Event of Default shall have occurred and be continuing under the Indenture. This Paragraph (f) shall not preclude the issuance of Additional Bonds if

(i) the issuance of such Additional Bonds otherwise complies with the provisions of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of the Additional Bonds and the application of the proceeds thereof.

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

USE OF FUNDS

Use of Construction Fund. (a) So long as an Event of Default shall not have occurred and be continuing, moneys deposited in the appropriate account in the Construction Fund shall be paid out by the Trustee in order to pay the Cost of a Project, in each case within three Business Days (or within such longer period as is reasonably required to liquidate investments in the Construction Fund if required to make such payment) after the receipt by the Trustee of a written requisition stating the following:

(i) 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; and

(ii) that the amount remaining in the applicable account in the 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 applicable account in the Construction Fund during the period of construction of a Project from the investment of moneys on deposit in the applicable account in the Construction Fund, will, together with any other moneys lawfully available for payment of the Cost of a Project and after payment of the amount requested in said requisition, be sufficient to pay the Cost of Completion for a Project in accordance with the plans and specifications therefor then in effect; it being understood that no moneys from the applicable account in the Construction Fund may be expended unless, after giving effect thereto, the funds remaining in the applicable account in the Construction Fund, together with such other funds and income and lawfully available monies, are sufficient to pay the Cost of Completion for a Project.

(b) Upon receipt of such requisition, the Trustee shall pay the obligation set forth in such requisition out of moneys in the applicable account in the Construction Fund. In making such payments the Trustee may rely upon such requisition.

(c) The Issuer shall deliver to the Trustee, within 90 days after the completion of a Project, a certificate 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 Issuer is of the opinion that such 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 statement any claim or claims out of which a lien exists or might ripen in the event that the Issuer intends to contest such claim or claims, in which event such claim or claims shall be described to the Trustee.

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

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

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

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

Use of Revenue Fund. All Revenues shall be accounted for and maintained by the Issuer in the Revenue Fund, which fund shall be kept separate and apart from all other accounts of the Issuer and which shall be expended and used by the Issuer only in the manner and order of priority specified below:

(a) As a first charge and lien on the Revenues (except any Revenues from impact fees imposed by the Issuer), 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.

(b) As a second charge and lien on the Revenues, *i.e.*, from the Net Revenues, the Issuer shall, on or before the first day of each month, transfer and deposit into the Bond Fund, from the Revenue Fund, an amount equal to:

(i) approximately one-sixth (or one-twelfth in the event the Supplemental Indenture provides that interest on the Bonds authorized under the Indenture is payable annually instead of semiannually) of the interest falling due on the Bonds on the next succeeding interest payment date established for the Bonds, *provided, however*, that in the event that less than six (or twelve, if applicable) months will transpire prior to the first interest payment date following the issuance of a Series of Bonds, the Issuer shall transfer an amount equal to a fraction the numerator of which is one and the denominator of which is the number of full months to transpire prior to such Interest Payment Date times the amount of interest falling due on the Bonds on the next succeeding interest payment date established for the Bonds; *plus*

(ii) approximately one-twelfth of the principal and premium and Sinking Fund Installments, if any, falling due on the next succeeding interest payment date established for the Bonds on which principal is due, *provided, however*, that in the event principal on a Series of Bonds is due on the first Interest Payment Date following the issuance of such Series, the Issuer shall deposit an amount equal to a fraction the numerator of which is one and the denominator of which is the number of full months to transpire prior to such Interest Payment Date times the amount of principal and premium and Sinking Fund Installment, if any, due on such Interest Payment Date.

(In lieu of monthly payments, a Supplemental Indenture may provide for semiannual payments to the Bond Fund, in which case the date of payment to the Trustee of an amount equal to the principal of, premium, if any, and interest falling due on the Bonds on the next succeeding Interest Payment Date shall be not less than fifteen days prior to said Interest Payment Date.)

(c) As a third charge and lien on the Net Revenues, the Issuer shall make the following monthly deposits:

(i) To the extent the Debt Service Reserve Requirement is not funded with a Reserve Instrument or Instruments, to the subaccounts in the Debt Service Reserve Fund any amounts required under the Indenture and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement at the times and in the amounts provided in the Indenture and in any Supplemental Indenture, or a ratable portion (based on the amount to be transferred pursuant to Subparagraph (ii) of this Paragraph) of remaining Net Revenues if less than the amount necessary. Moneys in each subaccount of the Debt Service Reserve Fund

shall be used only to prevent deficiencies in the payment of the principal of or interest on the related Series of Bonds resulting from a failure to deposit into the Bond Fund sufficient funds to pay debt service and Sinking Fund Installments on such Bonds. If funds shall have been withdrawn from a subaccount in the Debt Service Reserve Fund to pay debt service or Sinking Fund Installments, the Issuer shall deposit Net Revenues in such subaccount in the Debt Service Reserve Fund sufficient in amount to restore such moneys so withdrawn within one year with twelve (12) substantially equal payments during such one-year period. Moneys in each subaccount in the Debt Service Reserve Fund shall be used only to prevent deficiencies in the payment of the principal of or interest on the applicable Series of Bonds for which such account was created.

(ii) Equally and ratably to the subaccounts in the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of such month, such amount of the remaining Net Revenues, or a ratable portion (based on the amount to be transferred pursuant to Subparagraph (i) of this paragraph) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such monthly transfer or deposit of Net Revenues 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.

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

(e) Subject to making the foregoing deposits, the Issuer shall use the balance of the Net Revenues accounted for in the Revenue Fund for:

(i) redemption of Bonds for cancellation prior to maturity by depositing the same into the Bond Fund;

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

(iii) for any other lawful municipal purpose.

Use of Bond Fund. (a) The Trustee shall make deposits, as and when received, as follows:

(i) the amounts representing accrued interest on a Series of Bonds shall be deposited into the Bond Fund;

(ii) all moneys payable by the Issuer as specified in Paragraph (b) under the heading “Use of Revenue Fund” shall be deposited into the Bond Fund;

(iii) any amount in the Construction Fund which shall be transferred to the Bond Fund to the extent required by Paragraph (f) under the heading “Use of Construction Fund” upon completion of a Project;

(iv) all moneys transferred to the Bond Fund from the Debt Service Reserve Fund or from a Reserve Instrument or Instruments then in effect as described under the heading “Use of Debt Service Reserve Fund”; and

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

(b) Except as provided under “EVENTS OF DEFAULT—Application of Moneys” and as provided under this heading 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) the payment of principal of (including Sinking Fund Installments) and interest on the Bonds as the same become due; and

(ii) the payment of principal and interest accrued, if any, on the Bonds as the same become due upon redemption prior to maturity and such payments and redemption of Bonds in advance of their maturity shall be accounted for separately by the Trustee from the payments made by the Trustee pursuant to Subparagraph (i) of this Paragraph (b).

The Issuer authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay principal of and interest on the Bonds 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 all Bonds issued under the Indenture (or after provision has been made for the payment thereof as provided in the Indenture so that such Bonds are no longer Outstanding); all outstanding Reserve Instrument Repayment Obligations in accordance with their respective terms; and the fees, charges and expenses of the

Trustee, any paying agent and any other amounts required to be paid under the Indenture and under any Reserve Instrument Agreement; all amounts remaining in the Bond Fund shall be paid to the Issuer.

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

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.

Except as otherwise provided in a Supplemental Indenture authorizing a Series of Bonds, amounts accumulated in the Bond Fund with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) shall, if so directed by the Issuer in a written request not less than 30 days before the due date of such Sinking Fund Installment, be applied by the Trustee to

(1) the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, (2) the redemption at the applicable sinking fund redemption price of such Bonds, if then redeemable by their terms, or (3) any combination of (1) and (2). All purchases of any Bonds pursuant to this paragraph shall be made at prices not exceeding the applicable sinking fund redemption price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the Issuer shall direct the Trustee. The applicable sinking fund Redemption Price (or principal amount of maturing bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Bond Fund until such Sinking Fund Installment date for the purpose of calculating the amount of such Fund. As soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date, by giving notice as required by the Indenture, Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the Bond Fund to the appropriate Paying Agents, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment).

Use of Debt Service Reserve Fund. Except as otherwise provided under this heading “Use of Debt Service Reserve Fund” and Paragraph (c) under the heading “Use of Revenue Fund” and subject to the immediately following sentence, moneys in each subaccount in the Debt Service Reserve Fund shall at all times be maintained in an amount not less than the applicable Debt Service Reserve Requirement. In calculating the amount on deposit in each

subaccount in the Debt Service Reserve Fund, the amount of the Reserve Instrument Coverage will be treated as an amount on deposit in such subaccount in the Debt Service Reserve Fund. Each Supplemental Indenture authorizing the issuance of a Series of Bonds shall specify that the Debt Service Reserve Requirement with respect to such Series 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, or (ii) deposited from available Net Revenues over a period not to exceed five years from the date of such issuance and delivery of such Series in not to exceed 60 equal monthly installments, or (iii) deposited from any combination of (i) and (ii) above. Funds on deposit in any Subaccount of the Debt Reserve Fund shall be used to make up any deficiencies in the Bond Fund only for each related Series of Bonds. If at any time the amount on deposit in any Subaccount of the Debt Service Reserve Fund is less than the minimum amount to be maintained therein under this heading "Use of Debt Service Reserve Fund," the Issuer, under Paragraph (c) under the heading "Use of Revenue Fund," is required to make payment, within one year from the date such deficiency arises, directly to the Trustee for deposit into the Debt Service Reserve Fund, the amount of any such deficiency.

In the event funds on deposit in a subaccount in 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 subaccount in the Debt Service Reserve Fund to make up such deficiency and Reserve Instruments applicable to such Series of Bonds 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 such Reserve Instrument as provided in the Indenture.

No Reserve Instrument shall be allowed to expire or terminate unless and until cash has been deposited into the applicable subaccount in 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 applicable subaccount in the Debt Service Reserve Fund.

Funds at any time on deposit in the subaccounts in 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) may at any time be transferred to the Bond Fund.

Amounts on deposit in any subaccount of the Debt Service Reserve Fund shall only be used to make up a deficiency in the Bond Fund with respect to the related Series of Bonds.

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

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

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

Use of Rebate Fund. (a) The Trustee shall establish and thereafter maintain, so long as the Bonds are Outstanding, a Rebate Fund, which shall be held separate and apart from all other funds and accounts established under the Indenture and from all other moneys of the Trustee.

(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 all series of Bonds, as verified in writing by an independent public accountant or other qualified professional at the time the Rebatable Arbitrage is determined, less amounts of Rebatable Arbitrage theretofore paid to the United States for all series of Bonds, the Trustee shall, upon the Issuer's request, withdraw from the Rebate Fund and pay to the Issuer an amount not to exceed such excess.

(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. The Issuer shall retain records of all such determinations until six years after the retirement of the last Bond of a Series to which such records pertain. 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). The Issuer shall instruct the Trustee to withdraw from the Rebate Fund and pay over to the United States Government with respect to each Series of Bonds: (1) not less frequently than once each five years commencing no later than 60 days after the first Rebate Calculation Date for such Series of Bonds and upon each fifth anniversary of such date, an amount which when added to all previous rebate payments made with respect to such Series of Bonds equals 90% of the sum of the Rebatable Arbitrage pertaining to such Series of Bonds plus the amount, if any, of Rebatable Arbitrage theretofore paid to the United States with respect to such Series of Bonds, and (2) not later than 60 days after the retirement of the last Bond of such Series, 100% of the Rebatable Arbitrage with respect to such Series. 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.

(d) The Trustee shall, at least 60 days prior to each Rebate Calculation Date, notify the Issuer of the requirements set forth under this heading "Use of Rebate Fund." 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 Trustee, on behalf of the Issuer, shall keep and retain, until the date six years after the retirement of the last of the Bonds of each series, records with respect to each series of the Bonds and the investment and expenditure of proceeds thereof to comply with the aforementioned arbitrage rebate requirements, including without limitation a complete list of all investments and reinvestments of proceeds of each series of the Bonds. For purposes of the computation required by above, the Trustee shall upon request, furnish to the Issuer all information in the Trustee's control which is necessary for such computations.

(f) The Issuer under the Indenture covenants and agrees that it will not enter, and will not cause the Trustee to enter into, any transaction or cause any transaction to be entered into with respect to the investment of proceeds of the Bonds, or otherwise, which reduces the amount which may be required to be paid to the United States pursuant to the arbitrage rebate requirements specified in the Indenture, because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield on each series of the Bonds not been relevant to either party.

(g) The provisions set forth under this heading "Use of Rebate Fund" may be amended or deleted, with respect to any or all series of the Bonds, from the Indenture 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 exclusion from gross income of interest on the Bonds.

Investment of Funds. All moneys in the Bond Fund, the Construction Fund, the Reserve Instrument Fund or the Debt Service Reserve Fund may, at the discretion and authorization of the Issuer, be invested by the Trustee in Qualified Investments. All moneys in the Rebate Fund may, at the discretion and authorization of the Issuer, be invested by the Trustee in Government Obligations. 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, at the discretion of the Issuer, liquidate at prevailing market prices as much of the investments as may be necessary and apply the proceeds to such purposes. All income derived from the investment of the Construction Fund, Bond Fund, the Reserve Instrument Fund and Rebate Fund shall be maintained in said respective Funds and disbursed along with the other moneys on deposit therein as in the Indenture provided. All income derived from the investment of the Debt Service Reserve Fund shall be disbursed in accordance with the Indenture.

The Issuer may invest the amounts on deposit in the Revenue Fund and 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 under the Indenture, or to otherwise preserve the exclusion of interest payable or paid on any Bonds from gross income for federal income tax purposes, the Issuer may require the Trustee to take such steps as it may be advised by such counsel are necessary so to restrict or limit the yield on such investment, irrespective of whether the Trustee shares such opinion, and the Trustee agrees that it will take all such steps as the Issuer may require.

The Trustee may make any and all investments permitted by 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 under the Indenture.

TRUST FUNDS

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

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

ISSUER COVENANTS

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

(a) While any of the principal of or interest on the Bonds are outstanding and unpaid, or any Reserve Instrument Repayment Obligations are outstanding, the rates including connection fees, 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 of not less than 125% of the Aggregate Annual Debt Service Requirement for the forthcoming year, plus an amount sufficient to fund the Debt Service Reserve Fund in the time, rate and manner specified in the Indenture, or if a Reserve Instrument shall be in effect with respect to any of the Bonds Outstanding, the Reserve Instrument Repayment Obligations which the Issuer anticipates will be due and payable for the forthcoming year (the “*Rate Covenant Requirement*”); *provided, however*, that such rates must be reasonable rates for the type, kind and character of the service rendered. The Issuer agrees that should its annual financial statement for the prior fiscal year made in accordance with the provisions of the Indenture disclose that, during the period covered by such financial statement, the Net Revenues were not at least equal to the Rate Covenant Requirement, the Issuer shall not be in default with respect to the foregoing covenant if, within 90 days after the date of such financial statement the Issuer revises the schedule of rates, charges and fees insofar as is practicable and revises Operation and Maintenance Costs so as to produce Net Revenues at least equal to the Rate Covenant Requirement.

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

(c) Each Registered Owner 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 the Indenture and of any applicable Reserve Instrument Agreement.

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

All expenses incurred in compiling the information required by the provisions set forth under this heading “General Covenants” shall be regarded and paid as an Operation and Maintenance Expense.

First Lien Bonds; Equality of Liens. The Bonds constitute an irrevocable first lien (but not necessarily an exclusive first lien) upon the Net Revenues. The Issuer covenants that the Bonds and any parity obligations authorized to be issued and from time to time outstanding are equitably and ratably secured by a first lien on the Net Revenues and shall not be entitled to any priority one over the other in the application of the Net Revenues regardless of the time or times of the issuance of the Bonds and any other such securities, it being the intention of the Issuer that there shall be no priority among the Bonds and any such additional parity first lien securities regardless of the fact that they may be actually issued and delivered at different times.

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

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

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

The Issuer’s Mayor and City Recorder are authorized and directed to execute such certificates as shall be necessary to establish that tax-exempt Bonds issued under the Indenture

are not “arbitrage bonds” within the meaning of Section 148 of the Code and the regulations promulgated or proposed under the Indenture, 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 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 under the Indenture.

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 under the Indenture to become includible in gross income for purposes of federal income taxation, (ii) 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 and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the exclusion from gross income for purposes of federal income taxation of interest on such Bonds.

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.

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

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

Payment of Taxes. The Issuer covenants that all taxes and assessments or other municipal or governmental charges lawfully levied or assessed upon the System or upon any part thereof or upon any income therefrom will be paid when the same shall become due, that no lien or charge upon the System or any part thereof or upon any Revenues thereof, except for the lien

and charge thereon created under the Indenture and securing the Bonds, will be created or permitted to be created ranking equally with or prior to the Bonds (except for the parity lien thereon of Additional Bonds issued from time to time under the Indenture and under Supplemental Indentures), and that all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the System or any part thereof or upon the Revenues thereof will be paid or discharged, or adequate provision will be made for the payment or discharge of such claims and demands within 60 days after the same shall accrue; *provided, however,* that nothing in this section contained shall require any such lien or charge to be paid or discharged or provision made therefor so long as the validity of such lien or charge shall be contested in good faith and by appropriate legal proceedings.

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

Covenant Not to Sell. The Issuer will not sell, lease, mortgage, encumber, or in any manner dispose of the System or any substantial part thereof, including any and all extensions and additions that may be made thereto, until all principal of and interest on the Bonds, and all Reserve Instrument Repayment Obligations, have been paid in full, except that the Issuer may sell any portion of said property which shall have been replaced by other property of at least equal value, or which shall cease to be necessary for the efficient operation of the System, *provided, however,* that in the event of any sale as aforesaid, the proceeds of such sale shall be paid into the Bond Fund.

Billing Procedure. The Issuer shall submit a monthly billing for services rendered 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 bill not paid within thirty (30) days from the date it is mailed to the customer shall be deemed delinquent. The Issuer under the Indenture agrees that if any bill remains delinquent for more than sixty (60) days, it will initiate proceedings to cause all Water and Sewer service to the user concerned to be cut off immediately.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Each of the following events is an "Event of Default":

- (a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, or
- (b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of

maturity or through failure to fulfill any payment to any fund under the Indenture or otherwise; or

(c) if the Issuer shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or custodian for any of the Revenues of the Issuer, or approving a petition filed against the Issuer seeking reorganization of the Issuer under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the Issuer shall not be vacated or discharged or stayed on appeal within 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, 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 their 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 in the Indenture or any Supplemental Indenture the Indenture on the part of the Issuer to be performed, other than as set forth above under the heading "Events of Default," and such Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the Issuer by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding under the Indenture.

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

If an Event of Default shall have occurred, and if requested so to do by Registered Owners of 51% in aggregate principal amount of the Bonds then Outstanding and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this section as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Registered Owners.

No remedy by the terms the Indenture conferred upon or reserved to the Trustee (or to the Registered Owners) 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 or to the Registered Owners under the Indenture or existing at law or in equity or by statute.

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

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

Right of Registered Owners to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, the Registered Owners of a majority in aggregate principal amount of the Bonds then 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, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; *provided*, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited in the Bond Fund shall be applied in the following order:

(a) To the payment of the principal of, premium, if any, and interest then due and payable on the Bonds 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, 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 the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, 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, 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 over any other Bond, 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 then due and payable to any Reserve Instrument Provider under any applicable Reserve Instrument Agreement.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amounts of such moneys available for such application and the likelihood of additional moneys becoming available for such application in the future; *provided, however*, that the discretion of the Trustee to apply moneys shall not permit the Trustee to fail to liquidate investments in the Bond Fund and the Debt Service Reserve Fund and apply amounts credited to such funds to the payment of debt service on the dates it is due. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal paid on such dates shall cease to accrue.

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

Owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the Registered Owners of the Outstanding Bonds.

Rights and Remedies of Registered Owners. Except as provided in the last sentence of this section, no Registered Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Indenture, unless an Event of Default has occurred of which the Trustee has been notified as provided in the Indenture, or of which by the Indenture it is deemed to have notice, nor unless also Registered Owners of 51% in aggregate principal amount of the Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in the Indenture nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted in the Indenture, or to institute such action, suit or proceeding in its, his or their own name or names. Such notification, request and offer of indemnity are under the Indenture declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trust the Indenture, and to any action or cause of action for the enforcement the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture; it being understood and intended that no one or more Registered Owner of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien the Indenture by its, his or their action or to enforce any right under the Indenture except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of the Registered Owners of all Bonds then Outstanding. Nothing in the Indenture contained shall, however, affect or impair the right of any Registered Owner to enforce the covenants of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds issued under the Indenture held by such Registered Owner at the time, place, from the source and in the manner in said Bonds expressed.

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

Waivers of Events of Default. Subject to the provisions described in paragraph (g) under the heading “THE TRUSTEE—Acceptance of the Trusts” below, the Trustee may in its discretion waive any Event of Default under the Indenture and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate principal amount of all the Bonds then outstanding in respect of which Default in the payment of principal and interest exist, or (b) a majority in aggregate principal amount of the Bonds then Outstanding in the case of any other Event of Default; *provided, however*, that there shall not be waived (i) any Event of Default in the payment of the principal of any Bonds at the date of maturity specified therein, 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 and the Registered Owners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

COOPERATION OF ISSUER

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

THE TRUSTEE

Acceptance of the Trusts. The Trustee accepts the trusts imposed upon it under the Indenture, and agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate indenture, but no implied covenants or obligations shall be read into the 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 but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to advice of counsel concerning all matters of trusts the Indenture and the duties under the Indenture, 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 the Indenture. 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 in the Indenture, 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 the Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured under the Indenture; 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 in the Indenture 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 the Indenture.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered under the Indenture, except as specifically set forth in the Indenture. The Trustee may become the owner of Bonds secured under the Indenture 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 to the Indenture 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 its Mayor and attested by its City Clerk 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 Paragraph (g) of this section, 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 the City Clerk 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 in the Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its 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 under the Indenture, except an Event of Default described under Paragraphs (a) or (b) under the heading "EVENTS OF DEFAULT; REMEDIES—Events of Default," unless the Trustee shall be specifically notified in writing of such Default by the 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 under the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal 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 in the Indenture 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 the Indenture, any showing, certificates, opinions, appraisals, or other information, or corporate action or evidence thereof, in addition to that by the terms the Indenture 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 in the Indenture 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 under the Indenture except such as may be agreed upon.

(l) If any Event of Default under the Indenture shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it under the Indenture 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 the Indenture at the request, order or direction of any of the Bondholders or Reserve Instrument Issuers, pursuant to the provisions of the Indenture, unless such Bondholders or Reserve Instrument Issuers shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

(n) 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 Indenture or any supplement to the Indenture.

Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its services rendered as Trustee under the Indenture and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent and Registrar for the Bonds as provided in the Indenture. Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or

principal of, or premium, if any, on any Bond for the foregoing advances, fees, costs and expenses incurred.

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 are subject to the approval of a court of competent jurisdiction.

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 under the Indenture 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 to the Indenture, anything in the Indenture to the contrary notwithstanding.

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 in the Indenture.

Appointment of Successor Trustee; Temporary Trustee. In case the Trustee under the Indenture shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Issuer (or, if an Event of Default exists, by the Registered Owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such Owners, or by their attorneys in fact, duly authorized; *provided, nevertheless*, that in case of such vacancy the Issuer by an instrument executed by its Mayor and attested by its City Recorder 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 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 shall be notified immediately upon the resignation or termination of the Trustee and provided with a list of candidates for the office of successor Trustee.

Trustee Protected in Relying upon Indenture, Etc. The indentures, opinions, certificates and other instruments provided for in the Indenture 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 under the Indenture.

Successor Trustee; Paying Agent and Bond 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, Registrar and Paying Agent under the Indenture, and the successor Trustee shall become such Trustee, Registrar and Paying Agent for the Bonds.

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

SUPPLEMENTAL INDENTURES

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

- (a) To provide for the issuance of the Initial Bonds or the Additional Bonds in accordance with the provisions of the Indenture;
- (b) To cure any ambiguity or formal defect or omission in the Indenture;
- (c) To grant to or confer upon the Trustee for the benefit of the Registered Owners any 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;
- (d) To subject to the Indenture additional Revenues or other revenues, properties, collateral or security;
- (e) To make any other change to the Indenture which, in the judgment of the Trustee, is not materially prejudicial to the interests of the Registered Owners, the Trustee or any Reserve Instrument Provider;
- (f) To provide for the appointment of a successor Trustee, a Paying Agent, a separate or co-trustee, or Registrar;

(g) If the Bonds affected by such 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;

(h) To provide for Security Instrument Repayment Obligations to be paid on a parity with principal of and interest on the Bonds or to provide for Security Instrument Issuers to be subrogated to the rights of the Bondholders to the extent that Bonds payments are made pursuant to the respective Security Instruments; and

(i) if the Bonds affected by such change are secured by a Security Instrument, to make any change approved in writing by the related Security Instrument Issuer.

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

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 the Indenture, and to all Reserve Instrument Providers all sums of money due or to become due accordingly to the provisions of any Reserve Instrument Agreements, then these presents and the estate and rights under the Indenture granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien the Indenture, and release, assign and deliver unto the Issuer any and all the estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee, held by the Trustee, or otherwise subject to the lien the Indenture, except moneys or securities held by the Trustee for the payment of the principal of and interest on the Bonds or the payment of amounts pursuant to any Reserve Instrument Agreements.

Any Bond shall be deemed to be paid within the meaning of the Indenture when payment of the principal of such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture, or otherwise), either

- (a) shall have been made or caused to have been made in accordance with the terms thereof, or
- (b) shall have been provided by irrevocably depositing with or for the benefit of the Trustee, in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment, or (ii) Government Obligations, maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee and any paying agent pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits the Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

Notwithstanding the foregoing, in the case of Bonds, which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

- (a) stating the date when the principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted under the Indenture);
- (b) to instruct the Trustee to call for redemption pursuant to the Indenture any Bonds to be redeemed prior to maturity pursuant to subparagraph (i) above; and
- (c) if the Bonds to be redeemed will not be redeemed within 90 days of such deposit, to instruct the Trustee to mail, as soon as practicable, in the manner prescribed by the Indenture, a notice to the Registered Owners of such Bonds that the deposit required by this section has been made with the Trustee and that such Bonds are deemed

to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Bonds as specified in subparagraph (i) above.

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

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

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

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

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the issuance of the 2017 Bonds, Blaisdell, Church & Johnson, LLC, Bond Counsel to the City will issue its opinion in substantially the following form:

We have acted as bond counsel for the City of Washington Terrace, Weber County, Utah (the “City”) in connection with the issuance by the City of its \$_____ Water, Sewer, Storm Water and Refuse Collection Revenue Bonds, Series 2017 (the “Series 2017 Bonds”). The Series 2017 Bonds are being issued pursuant to a parameters resolution of the City adopted on August 16, 2016, and an authorizing resolution of the City adopted on September 6, 2016 (collectively, the “Bond Resolutions”), approving a pricing committee and authorizing a Fifth Supplemental Indenture of Trust dated as of _____, 2017, supplementing a General Indenture of Trust dated as of June 1, 2001 (collectively the “Indenture”), and the Utah Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the “Act”). The Series 2017 Bonds are being issued to pay (i) costs of constructing certain improvements to the City’s water, sewer, storm water, and refuse collection facilities, including a public works building, and related improvements, and (ii) the costs of issuing the Series 2017 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 2017 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.

The Internal Revenue Code of 1986, as amended (the “Code”), contains a number of requirements and restrictions which apply to the Series 2017 Bonds. The Authority has covenanted to comply with all such requirements and restrictions. We have assumed, without undertaking to determine or confirm, continuing compliance by the Authority with such requirements and restrictions in rendering our opinion regarding the tax-exempt status of interest on the Series 2017 Bonds.

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 City is a political subdivision and body politic of the State of Utah created and validly existing under the laws of the State of Utah.
2. The Bond Resolutions and Indenture have been duly adopted by the City and constitute valid and binding obligations of the City enforceable in accordance with their terms.
3. The Indenture creates a valid lien on the Net Revenues (as that term is defined in the Indenture) of the System (as that term is defined in the Indenture) and other amounts pledged for the security of the Series 2017 Bonds.
4. The Series 2017 Bonds are valid and binding special obligations of the City payable solely from the Net Revenues and other amounts pledged therefor in the Indenture. The Series 2017 Bonds do not constitute a general obligation indebtedness of the City within the meaning of any state

constitutional provision or statutory limitation, nor a charge against the general credit or ad valorem taxing power of the City.

5. Based on an analysis of currently existing laws, regulations, decisions and interpretations, interest on the Series 2017 Bonds is excludable from gross income for purposes of federal income tax and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

6. Interest on the Series 2017 Bonds is exempt from State of Utah individual income taxes.

7. The City has designated the Series 2017 Bonds as, and the Series 2017 Bonds constitute, qualified tax-exempt obligations under Section 265(b)(3) of the Code relating to the deductibility of a financial institution's interest expense allocable to tax-exempt interest.

In rendering our opinion, we advise you that

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

(ii) We express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any offering material relating to the Series 2017 Bonds.

(iii) Although we have rendered an opinion that interest on the Series 2017 Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2017 Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2017 Bonds.

(iv) We assume no obligation to update, 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 that the Series 2017 Bonds are issued

Respectfully submitted,

Eric Todd Johnson, Blaisdell, Church & Johnson LLC

APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by The City of Washington Terrace, Weber County, Utah (the “City”), in connection with the issuance by the City of its \$_____ Water, Sewer, Storm Water, and Refuse Collection Revenue Bonds, Series 2017 (the “Series 2017 Bonds”). The Series 2017 Bonds are being issued pursuant to a parameters resolution of the City adopted on August 16, 2016, and an authorizing resolution of the City adopted on September 6, 2016 (collectively, the “Bond Resolutions”), approving a pricing committee and authorizing a Fifth Supplemental Indenture of Trust dated as of _____, 2017, supplementing a General Indenture of Trust dated as of June 1, 2001 (collectively the “Indenture”), each between the City and U.S. Bank, as trustee (the “Trustee”). The proceeds of the sale of the Series 2017 Bonds are being used to pay (i) costs of constructing certain improvements to the City’s water, sewer, storm water, and refuse collection facilities, including a public works building, and related improvements, and (ii) the costs of issuing the Series 2017 Bonds. The City hereby acknowledges that it is an “obligated person” within the meaning of the hereinafter defined rule and the only “obligated person” with respect to the Series 2017 Bonds. In connection with the aforementioned transactions, the City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the City to the Trustee for the benefit of the Bondholders and Beneficial Owners of the Series 2017 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 terms 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 who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2017 Bonds (including persons holding Series 2017 Bonds through nominees, depositories, or other intermediaries).

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

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

“MSRB” shall mean the Municipal Securities Rulemaking Board, the address of which is currently 1900 Duke Street, Suite 600, Alexandria, VA 22314; Telephone (703) 797-6600; Fax (703) 797-6700 and the Internet address of which is www.msrb.org.

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

“Participating Underwriter” shall mean _____, as the original underwriter of the Series 2017 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission

under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Utah.

“Tax-exempt” shall mean that interest on the Series 2017 Bonds is excludable from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Section 3. Provision of Annual Reports.

(a) The City shall prepare an Annual Report of the City and shall, or shall cause the Dissemination Agent to, not later than one-hundred and eighty (180) days after the end of each fiscal year, commencing after the fiscal year ending June 30, 2017, provide to the MSRB in electronic format and the Annual Report of the City which is consistent with the requirements of Section 4 of this Disclosure Undertaking. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report of the City to the Dissemination Agent. In each case, the Annual Report of the City may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Undertaking; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for Listed Event under Section 5(e).

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

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

(d) The Dissemination Agent shall:

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

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

Section 4. Content of Annual Reports.

(a) The City’s Annual Report shall contain or incorporate by reference the following:

(i) A copy of the City’s annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. 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.

(ii) An update of the financial and operating information in the Official Statement relating to the City of the type contained in the tables: HISTORICAL DEBT SERVICE COVERAGE; THE SYSTEM: Water System—Weber Basin Water Conservancy District (water purchased/cost), Capacity and Demand, Water Connections, Major Water Users, Water Sales; Sewer System—Capacity and Demand, Sewer Connections, Major Sewer Users, Rates and Charges; Storm Water System—Major Storm Water Users, Rates and Charges; Refuse System—Rates and Charges; –Historical Five-Year Financial Summaries of the System; DEBT STRUCTURE OF THE CITY OF WASHINGTON TERRACE, UTAH; FINANCIAL INFORMATION REGARDING THE CITY OF WASHINGTON TERRACE, UTAH—Financial Summaries; Taxable, Fair Market and Market Value of Property of the City; and Historical Summaries of Taxable Value of Property of the City.

(b) Any or all of the items listed above may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such document incorporated by 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 any occurrence of any of the following events with respect to the Series 2017 Bonds in a timely manner but not more than 10 Business Days after the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancement reflecting financial difficulties;
4. Substitution of any credit or liquidity provider, or their failure to perform;
5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability. Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2017 Bonds;
6. Defeasances;
7. Tender offers;
8. Bankruptcy, insolvency, receivership or similar proceedings, or;
9. Rating changes.

(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 Series 2017 Bonds in a timely manner not more than 10 business Days after the Listed Event, if material:

1. Mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

2. Appointment of a successor or additional trustee or the change of the name of a trustee;
3. Non-payment related defaults;
4. Bond calls; or
5. Release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee, Dissemination Agent 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 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 (e).

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

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB in an electronic format of the Bonds.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Undertaking shall terminate upon the earlier of: (i) the date of legal defeasance, prior redemption, or payment in full of all of the Series 2017 Bonds; (ii) the date that the City shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

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

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, without the consent of the holders of the Series 2017 Bonds, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver does not, in and of itself, cause the undertaking herein to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Issuer will provide notice of such amendment or waiver to the MSRB.

Section 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the City chooses to include any information in any Annual Disclosure

Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Undertaking, any Bondholder or Beneficial Owner of the Series 2017 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an “event of default” under the Indenture, and the sole remedy under this Disclosure Undertaking in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Undertaking, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s gross negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2017 Bonds.

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

DATE: _____, 2017

THE CITY OF WASHINGTON
TERRACE, WEBER COUNTY, UTAH

(SEAL)

By:

Mayor

ATTEST & COUNTERSIGN:

By:

City Recorder

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APPENDIX E

BOOK-ENTRY SYSTEM

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2017 Bonds, except in the event that use of the book-entry system for the 2017 Bonds is discontinued.

To facilitate subsequent transfers, all 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2017 Bonds may wish to ascertain that the nominee holding the 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners

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

Redemption notices shall be sent to DTC. If less than all of the 2017 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2017 Bond certificates will be printed and delivered to DTC.

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

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