

OFFICIAL STATEMENT

Rating:

Moody's: "Aa2"

See "RATING" herein

NEW ISSUE – BOOK-ENTRY ONLY

In the opinion of Bond Counsel to the Board, assuming continuing compliance by the Board with certain covenants set forth in the Indenture hereinafter referred to with respect to certain conditions imposed by the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2020-A Bonds will be excludable from gross income of the recipients thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Code, but receipt of said interest also has other federal tax consequences to certain recipients as summarized herein under "TAX MATTERS." Bond Counsel is of the further opinion that, under existing statutes, interest on the Series 2020-A Bonds and interest on the Series 2020-B Bonds is exempt from Alabama income taxation.

THE WATER WORKS BOARD OF THE CITY OF AUBURN

\$16,860,000	\$18,475,000
Water Revenue Bonds	Taxable Water Revenue Bonds
Series 2020-A	Series 2020-B

Dated: Date of delivery

**Due: September 1,
as shown on inside cover**

SEE INSIDE COVER FOR AMOUNTS, MATURITIES, INTEREST RATES, AND PRICES/YIELDS

Interest on the above-referenced Series 2020-A Bonds and the above-referenced Series 2020-B Bonds (together, the "Series 2020 Bonds") is payable on September 1, 2020, and semiannually thereafter on March 1 and September 1 of each year. The Series 2020 Bonds will be issued as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2020 Bonds will be made in book-entry form only and purchasers of a beneficial interest in the Series 2020 Bonds ("Beneficial Owners") will not receive physical delivery of the certificates representing their interests in the Series 2020 Bonds. Debt service on the Series 2020 Bonds will be paid directly to DTC, so long as DTC or its nominee is the registered owner of the Series 2020 Bonds. The final disbursements of such payments to the Beneficial Owners of the Series 2020 Bonds will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described in this Official Statement under the caption "THE SERIES 2020 BONDS – Book-Entry Only System."

The Series 2020 Bonds will be issued under a Trust Indenture dated the date of the Series 2020 Bonds (the "Indenture") from the Board to Regions Bank, an Alabama banking corporation ("Regions"). The Series 2020 Bonds and all obligations issued under the Indenture will constitute special obligations of the Board payable solely out of, and secured by a pledge of, the revenues derived from the operation of the Board's water works plant and distribution system remaining after payment of the costs of operating and maintaining the same.

The Series 2020 Bonds do not constitute an obligation, debt or pledge of the City of Auburn, the State of Alabama, or any political subdivision thereof, and neither the credit nor the taxing power of said state or any political subdivision thereof shall be pledged for the Series 2020 Bonds. Certain of the Series 2020 Bonds are subject to optional and mandatory redemption prior to maturity as specified herein.

THIS COVER PAGE CONTAINS INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. POTENTIAL INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Series 2020 Bonds are offered when, as, and if received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of the validity thereof by Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel to the Board, and certain other conditions. It is expected that the Series 2020 Bonds will be available for delivery through DTC on or about March 26, 2020.

THE FRAZER LANIER COMPANY Incorporated

Dated: March 3, 2020

AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS

**THE WATER WORKS BOARD
OF THE CITY OF AUBURN**

**\$16,860,000
Water Revenue Bonds
Series 2020-A**

Maturity <u>(September 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	Yield	CUSIP ⁽¹⁾
2020	\$260,000	3.000%	0.830%	050249JT9
2021	1,080,000	3.000	0.830	050249JU6
2022	1,110,000	3.000	0.870	050249JV4
2023	1,150,000	3.000	0.890	050249JW2
2024	1,185,000	3.000	0.920	050249JX0
2025	1,215,000	4.000	0.960	050249JY8
2026	1,265,000	4.000	1.030	050249JZ5
2027	1,315,000	4.000	1.100	050249KA8
2028	1,370,000	4.000	1.190	050249KB6
2029	1,425,000	4.000	1.260	050249KC4
2030	1,480,000	4.000	1.330*	050249KD2
2031	1,545,000	4.000	1.400*	050249KE0
2032	1,600,000	4.000	1.470*	050249KF7

\$860,000 2.125% Term Series 2020-A Bond Due
September 1, 2039; Yield 2.250%; CUSIP 050249KH3

**\$18,475,000
Taxable Water Revenue Bonds
Series 2020-B**

Maturity <u>(September 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	Yield	CUSIP ⁽¹⁾
2022	\$205,000	1.438%	1.438%	050249KL4
2023	205,000	1.520	1.520	050249KM2
2024	205,000	1.588	1.588	050249KN0
2025	215,000	1.608	1.608	050249KP5
2026	215,000	1.844	1.844	050249KQ3
2027	220,000	1.974	1.974	050249KR1
2028	225,000	2.085	2.085	050249KS9
2029	225,000	2.155	2.155	050249KT7
2030	235,000	2.255	2.255	050249KU4
2031	235,000	2.305	2.305	050249KV2
2032	245,000	2.365	2.365	050249KW0
2033	1,800,000	2.385	2.385	050249KX8
2034	1,845,000	2.485	2.485	050249KY6
2035	1,890,000	2.585	2.585	050249KZ3
2036	1,935,000	2.797	2.797	050249LA7
2037	1,990,000	2.847	2.847	050249LB5
2038	2,050,000	2.897	2.897	050249LC3
2039	2,110,000	2.927	2.927	050249LD1
2040	2,175,000	2.977	2.977	050249LE9

\$250,000 1.388% Term Series 2020-B Bond Due
September 1, 2021; Yield 1.388%; CUSIP 050249KK6

* Calculated to March 1, 2030 optional redemption date.

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Board and are included solely for the convenience of the registered owners of the Series 2020 Bonds. The Board and the Underwriter are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the Board on the Series 2020 Bonds and by the Underwriter on the Series 2020 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2020 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2020 Bonds.

**THE WATER WORKS BOARD
OF THE CITY OF AUBURN**

**Members
Board of Directors**

Jeffrey Clary, Ed.D., Chairman
Frederick "Butch" Brock, Vice Chairman
Jennifer Chambliss, Esq., Secretary
Bernard Hill
Brad Wilson

Management

Eric A. Carson, PE
Water Resource Management Director, City of Auburn

Allison D. Edge, CPA, CGMA
Finance Director/Treasurer, City of Auburn

Counsel for the Board

Davidson Davidson Umbach & Forbus LLC
Auburn, Alabama

Underwriter

The Frazer Lanier Company Incorporated
Montgomery, Alabama

Bond Counsel

Bradley Arant Boult Cummings LLP
Birmingham, Alabama

Trustee

Regions Bank
Birmingham, Alabama

Certain information contained in or incorporated by reference in this Official Statement has been obtained by the Board from DTC and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriter, the Trustee or the Board. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriter. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesperson or any other person has been authorized by the Board, the Trustee or the Underwriter to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the inside cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2020 Bonds.

Any statements made in this Official Statement, including the Appendices hereto, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the Board's beliefs as well as assumptions made by and information currently available to the Board.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "estimate," "budget," "projected," "forecast" 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. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct in whole or in part. The Board is not obligated to issue any updates or revisions to the forward-looking statements if or when expectations do not materialize, or events, conditions or circumstances on which such statements are based do or do not occur.

Furthermore, any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2020 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Board since the date as of which such information is given.

No representation is made that past experience, results of operations or financial condition, as it might be shown by financial and other information reported in this Official Statement (including any Appendix hereto) will continue or be repeated in the future.

The Series 2020 Bonds have not been registered under the Securities Act of 1933, as amended, and the Indenture of the Board has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Series 2020 Bonds and the security therefor, including an analysis of the risks involved. The Series 2020 Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the Series 2020 Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the Series 2020 Bonds have been registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the Series 2020 Bonds or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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OFFICIAL STATEMENT

Pertaining to

THE WATER WORKS BOARD OF THE CITY OF AUBURN

\$16,860,000 Water Revenue Bonds Series 2020-A	\$18,475,000 Taxable Water Revenue Bonds Series 2020-B
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INTRODUCTION

This Official Statement of The Water Works Board of the City of Auburn (the "Board"), which includes the cover page and appendices hereto, sets forth certain information concerning the above-referenced Series 2020-A Bonds (the "Series 2020-A Bonds") and the above-referenced Series 2020-B Bonds (the "Series 2020-B Bonds" and, together with the Series 2020-A Bonds, the "Series 2020 Bonds"). The Board is a public corporation organized under the laws of the State of Alabama. The Board owns and operates a water supply and distribution system (the "System") in the City of Auburn (the "City") and the surrounding territory in Lee County, Alabama. See "THE BOARD" herein.

The Series 2020 Bonds are being issued pursuant to the provisions of a Trust Indenture dated the date of the Series 2020 Bonds (the "Indenture") between the Board and Regions Bank, as trustee (the "Trustee").

The Series 2020-A Bonds are being issued for the purpose of (i) paying the costs of certain public capital improvements to the System as more particularly described herein as the "2020-A Improvements", (ii) redeeming and retiring the Board's Water Revenue Capital Improvement and Refunding Bonds, Series 2010, dated June 1, 2010 (the "Series 2010 Bonds"), and (iii) paying the costs of issuing the Series 2020-A Bonds.

The Series 2020-B Bonds are being issued for the purpose of (i) redeeming and retiring the Board's \$16,695,000 original principal amount Water Revenue Bonds, Series 2015, dated November 24, 2015 (the "Series 2015 Bonds"), and (ii) paying the costs of issuing the Series 2020-B Bonds.

The Series 2020 Bonds will be limited obligations of the Board payable solely out of the revenues derived from the operation of the System remaining after payment of the expenses of operating and administering the System (the "Net System Revenues"). See "SECURITY; SOURCE OF PAYMENT OF SERIES 2020 BONDS" herein. The pledge of Net System Revenues under the Indenture in favor of the Series 2020 Bonds will be on a parity of lien with any Additional Bonds hereafter issued as "Additional Bonds" in accordance with the terms and requirements of the Indenture.

The Series 2020 Bonds will not constitute obligations of or a charge against the general credit or taxing power of the City, the State of Alabama, or any county or municipality or political subdivision of the State of Alabama. The Board has no taxing power.

This Official Statement contains summaries of certain provisions of the Indenture, and the Series 2020 Bonds issued thereunder and other acts, resolutions, documents and instruments with respect to the Series 2020 Bonds and the security for the Series 2020 Bonds. Whenever reference or a summary of any act, resolution, document or instrument is made in this Official Statement, such reference is qualified by reference to the exact terms of such act, resolution, document or instrument referred to or summarized. All such documents are matters of public record and are available for review by owners of the Series 2020 Bonds during normal business hours at the office of the Board, located at 1501 West Samford Avenue, Auburn, Alabama 36832. The telephone number of the Board is (334) 501-3060.

Neither the delivery of this Official Statement nor any sale made hereunder implies that there has not been any change in the affairs of the Board at any time subsequent to the date hereof.

Reference is hereby made to the Appendices of this Official Statement setting forth the Board's audited financial statements for the fiscal year ended September 30, 2018; the proposed forms of approving opinions of Bradley

Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel to the Board; the form of the Indenture; and the summary of the Continuing Disclosure Agreement.

THE SERIES 2020 BONDS

General Provisions, Maturities and Interest Rates

Amounts, Maturities, Interest Rates and Form. The Series 2020 Bonds will be issued under and pursuant to the Indenture, will be dated their date of delivery, and, for each series thereof, will bear interest at the rates, and will mature in the amounts and on the dates, set forth on the inside cover page of this Official Statement. The Series 2020 Bonds are issuable only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

Manner of Payment. The Series 2020 Bonds will be issued in book-entry only form, as described herein under "Book-Entry Only System," and the method and place of payment of debt service on the Series 2020 Bonds will be as provided in the book-entry only system for so long as such system is in effect with respect to the Series 2020 Bonds. Interest on the Series 2020 Bonds (computed on the basis of a 360-day year of 12 consecutive 30-day months) is payable semiannually on each March 1 and September 1, commencing September 1, 2020, at the address shown on the registry books of the Trustee pertaining to the Series 2020 Bonds as of the close of business on the February 15 or August 15, as the case may be, next preceding each interest payment date (each such date, a "Record Date").

Any principal or interest with respect to any Series 2020 Bond that becomes due on a day other than a Business Day (as defined in the Indenture) shall be payable on the next succeeding Business Day and no interest shall accrue in the interim.

Purpose

Series 2020-A Bonds. The Series 2020-A Bonds are being issued for the purpose of (i) paying the costs of certain public capital improvements to the System hereinafter defined as the "2020-A Improvements", (ii) redeeming and retiring the Series 2010 Bonds, and (iii) paying the costs of issuing the Series 2020-A Bonds. See "PLAN OF FINANCE – Series 2020-A Bonds" herein.

Series 2020-B Bonds. The Series 2020-B Bonds are being issued for the purpose of (i) redeeming and retiring the Series 2015 Bonds, and (ii) paying the costs of issuing the Series 2020-B Bonds. See "PLAN OF FINANCE – Series 2020-B Bonds" herein.

Sources and Uses of Proceeds of the Series 2020 Bonds

Series 2020-A Bonds. The proceeds to be derived from the sale of the Series 2020-A Bonds are expected to be applied substantially as follows:

Sources	
Par amount of Series 2020-A Bonds	\$16,860,000.00
Plus net original issue premium	<u>2,728,039.30</u>
Total Sources	\$19,588,039.30

Uses	
Deposit to 2020 Construction Fund	\$ 5,800,000.00
Refunding of Series 2010 Bonds	13,604,140.25
Costs of issuance (including underwriting discount, legal, printing, and other costs)	<u>183,899.05</u>
Total Uses	\$19,588,039.30

Series 2020-B Bonds. The proceeds to be derived from the sale of the Series 2020-B Bonds are expected to be applied substantially as follows:

Sources	
Par amount of Series 2020-B Bonds	<u>\$18,475,000.00</u>

Total Sources	\$18,475,000.00
Uses	
Refunding of Series 2015 Bonds	18,278,844.71
Costs of issuance (including underwriting discount, legal, printing, and other costs)	<u>196,155.29</u>
Total Uses	\$18,475,000.00

Redemption Prior to Maturity – Series 2020-A Bonds

Optional Redemption. Those of the Series 2020-A Bonds having a stated maturity on September 1, 2030, and thereafter, will be subject to redemption prior to maturity, at the option of the Board, as a whole or in part (but if in part, in maturities of \$5,000 with those of the maturities to be redeemed to be selected by the Board at its discretion), on March 1, 2030, and on any date thereafter, at and for a redemption price equal to the par or face amount of each Series 2020-A Bond redeemed, plus accrued interest thereon to the date fixed for redemption.

Mandatory Redemption. The Series 2020-A Bonds maturing on September 1, 2039 (the "2020-A Term Bonds") shall be redeemed, at a redemption price equal to the face amount of Series 2020-A Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, on the dates and in the principal amounts as follows:

2020-A Term Bonds Maturing on September 1, 2039

Year (September 1,)	Principal Amount to be Redeemed
2033	\$115,000
2034	115,000
2035	120,000
2036	125,000
2037	130,000
2038	125,000
2039 (maturity)	130,000

In the event the Board shall have partially redeemed the 2020-A Term Bonds or shall have provided for a partial redemption of the 2020-A Term Bonds in such a manner that the 2020-A Term Bonds for the redemption of which provision is made are considered as fully paid, the Board may elect to apply all or any part (but only in integral multiples of \$5,000) of the principal amount of such 2020-A Term Bonds so redeemed or to be redeemed to the reduction of the principal amount of 2020-A Term Bonds required to be redeemed pursuant to the schedules set forth immediately above on any September 1 coterminous with or subsequent to the date such optional redemption actually occurs.

Manner, Notice and Effect of Redemption. Notice of any redemption (other than mandatory redemption) of the Series 2020-A Bonds shall be given to the affected holder thereof not more than 90 nor less than 30 days before the date fixed for redemption. If the book-entry system is in effect, such notice of redemption shall be given to DTC (as defined below) and shall be forwarded by DTC to the affected holders of Series 2020-A Bonds through methods established by the rules and operational arrangements of DTC. If the book-entry system is not in effect, notice of redemption shall be given to the holders of Series 2020-A Bonds being redeemed by registered or certified mail. No further interest will accrue, after the date fixed for redemption, on the principal of any Series 2020-A Bonds called for redemption if notice has been duly given and payment therefor has been duly provided, and in such event any Series 2020-A Bond called for redemption will no longer be protected by the provisions of the Indenture.

Partial Redemption of Series 2020-A Bonds. If less than all Series 2020-A Bonds outstanding are to be redeemed, the principal amount of Series 2020-A Bonds to be redeemed may be specified by the Board by notice delivered to the Trustee prior to the date when the Trustee must give notice of the redemption to holders of the Series 2020-A Bonds, or, in the absence of receipt by the Trustee of such notice, shall be determined in accordance with the book-entry system or if the book-entry system is no longer in effect by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that the Series 2020-A Bonds are subject to redemption only in principal amounts of \$5,000 or any integral multiple thereof.

Redemption Prior to Maturity – Series 2020-B Bonds

Optional Redemption. Those of the Series 2020-B Bonds having a stated maturity on September 1, 2030, and thereafter, will be subject to redemption prior to maturity, at the option of the Board, as a whole or in part (but if in part, in maturities of \$5,000 with those of the maturities to be redeemed to be selected by the Board at its discretion), on March 1, 2030, and on any date thereafter, at and for a redemption price equal to the par or face amount of each Series 2020-B Bond redeemed, plus accrued interest thereon to the date fixed for redemption.

Mandatory Redemption. The Series 2020-B Bonds maturing on September 1, 2021 (the "2020-B Term Bonds") shall be redeemed, at a redemption price equal to the face amount of Series 2020-B Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, on the dates and in the principal amounts as follows:

2020-B Term Bonds Maturing September 1, 2021

Year (September 1)	Principal Amount to be Redeemed
2020	\$ 50,000
2021 (maturity)	200,000

In the event the Board shall have partially redeemed the 2020-B Term Bonds or shall have provided for a partial redemption of the 2020-B Term Bonds in such a manner that the 2020-B Term Bonds for the redemption of which provision is made are considered as fully paid, the Board may elect to apply all or any part (but only in integral multiples of \$5,000) of the principal amount of such 2020-B Term Bonds so redeemed or to be redeemed to the reduction of the principal amount of 2020-B Term Bonds required to be redeemed pursuant to the schedules set forth immediately above on any September 1 coterminous with or subsequent to the date such optional redemption actually occurs.

Manner, Notice and Effect of Redemption. Notice of any redemption (other than mandatory redemption) of the Series 2020-B Bonds shall be given to the affected holder thereof not more than 90 nor less than 30 days before the date fixed for redemption. If the book-entry system is in effect, such notice of redemption shall be given to DTC (as defined below) and shall be forwarded by DTC to the affected holders of Series 2020-B Bonds through methods established by the rules and operational arrangements of DTC. If the book-entry system is not in effect, notice of redemption shall be given to the holders of Series 2020-B Bonds being redeemed by registered or certified mail. No further interest will accrue, after the date fixed for redemption, on the principal of any Series 2020-B Bonds called for redemption if notice has been duly given and payment therefor has been duly provided, and in such event any Series 2020-B Bond called for redemption will no longer be protected by the provisions of the Indenture.

Partial Redemption of Series 2020-B Bonds. If less than all Series 2020-B Bonds outstanding are to be redeemed, the principal amount of Series 2020-B Bonds to be redeemed may be specified by the Board by notice delivered to the Trustee prior to the date when the Trustee must give notice of the redemption to holders of the Series 2020-B Bonds, or, in the absence of receipt by the Trustee of such notice, shall be determined in accordance with the book-entry system or if the book-entry system is no longer in effect by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that the Series 2020-B Bonds are subject to redemption only in principal amounts of \$5,000 or any integral multiple thereof.

Book-Entry Only System

Portions of the following information concerning The Depository Trust Company ("DTC") and DTC's book-entry system have been obtained from DTC. The Board, the Trustee and the Underwriter make no representation as to the accuracy of such information.

General. Initially, DTC will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds initially will be issued solely in book-entry form to be held under DTC's book-entry system, registered in the name of Cede & Co. (DTC's partnership nominee). Initially, one fully-registered Series 2020 Bond certificate for each maturity will be issued for the Series 2020 Bonds, in the aggregate principal amount of Series 2020 Bonds of such maturity, and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and Participants are on file with the Securities and Exchange Commission. So long as the Series 2020 Bonds are maintained in book-entry form with DTC, the following procedures will be applicable with respect to the Series 2020 Bonds.

Purchases of the Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2020 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Bonds are credited, which may or may not be the Beneficial Owners. The 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.

As long as the book-entry system is used for the Series 2020 Bonds, redemption notices will be sent to Cede & Co. If less than all of the Series 2020 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

As long as the book-entry system is used for the Series 2020 Bonds, principal, premium, if any, and interest payments on the Series 2020 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon receipt of funds and corresponding detail information from the Trustee, on the 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 Trustee or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. is the responsibility of the Board or the Trustee, and disbursement of such payments to the Participants or the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2020 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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 Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

DTC may discontinue providing its services as securities depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Board and the Trustee. In the event that a successor securities depository is not obtained, Series 2020 Bond certificates are required to be printed and delivered.

The Board and the Trustee will have no responsibility or obligation to any securities depository, any Participants in the book-entry system, or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the securities depository or any Participant; (ii) the payment by the securities depository or by any Participant of any amount due to any Participant or Beneficial Owner, respectively, in respect of the principal amount or redemption or purchase price of, or interest on, any Series 2020 Bonds; (iii) the delivery of any notice by the securities depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2020 Bonds; or (v) any other action taken by the securities depository or any Participant.

In the event of the discontinuance of the book-entry system for the Series 2020 Bonds, Series 2020 Bond certificates will be printed and delivered and the following provisions of the Indenture will apply: (i) principal of the Series 2020 Bonds will be payable upon surrender of the Series 2020 Bonds at the designated office of the Trustee; (ii) Series 2020 Bonds may be transferred or exchanged for other Series 2020 Bonds of authorized denominations as set forth in the next succeeding two paragraphs; and (iii) Series 2020 Bonds will be issued in denominations of \$5,000 or integral multiples thereof as described above.

Discontinuation of Book-Entry Only System. The following provisions shall apply only upon discontinuance of the book-entry only system described above with respect to any series of the Series 2020 Bonds: (i) a physical certificate or certificates shall be executed, authenticated and delivered to each holder under the book-entry system in accordance with such holder's ownership of such Series 2020 Bonds; and (ii) such certificates shall be registered in the Bond register maintained by the Trustee. The Series 2020 Bonds shall be registered and may be transferred only on the bond register maintained by the Trustee. No transfer of the Series 2020 Bonds shall be permitted except upon presentation and surrender of such Series 2020 Bonds at the office of the Trustee. The holder of one or more of the Series 2020 Bonds may, upon request, and upon the surrender to the Trustee of such Series 2020 Bonds, exchange such Series 2020 Bond for Series 2020 Bonds of other authorized denominations of the same tenor, series and of a like aggregate principal amount. No service charge shall be made for any transfer or exchange of Series 2020 Bonds, but the Board may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Series 2020 Bonds. The Board shall not be required (i) to transfer or exchange any Series 2020 Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Series 2020 Bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Series 2020 Bond so selected for redemption in whole or in part. In the event any Series 2020 Bond is mutilated, lost, stolen or destroyed, the Board may execute, and the Trustee shall thereupon authenticate and deliver, a replacement Series 2020 Bond of like tenor as that mutilated, lost, stolen or destroyed; provided that (i) in the case of any such mutilated Series 2020 Bond, such Series 2020 Bond is first surrendered to the Trustee, and (ii) in the case of any lost, stolen or destroyed Series 2020 Bond, there is first furnished to the Board and the Trustee evidence of such loss, theft or destruction satisfactory to the Board and the Trustee, together with indemnity satisfactory to each of them. The Board may charge the holder with the expense of issuing any such replacement Series 2020 Bond.

Reference is made to the provisions of the Indenture in full for its provisions pertaining to the registration, transfer and exchange of Series 2020 Bonds and the method of payment of the principal thereof and interest thereon.

PLAN OF FINANCE

Series 2020-A Bonds

2020-A Improvements. A portion of the proceeds of the Series 2020-A Bonds shall be deposited into a special fund or account of the Board (the "2020 Construction Fund") and used to pay the cost of acquiring, providing, constructing and installing various capital improvements to the System, including, without limitation, a new water well,

access pipes, land and easement acquisition, building improvements and related public infrastructure improvements, capital equipment and assets for to the System (collectively, the "2020-A Improvements").

Refunding of Series 2010 Bonds. Under that certain Trust Indenture dated as of June 1, 2010, between the Board and Regions Bank, as successor trustee to The Bank of New York Mellon Trust Company, N.A., as heretofore supplemented and amended (the "2010 Indenture"), the Board reserved the right to redeem and retire the Series 2010 Bonds on any date on and after March 1, 2020, at and for a redemption price equal to 100% of the principal amount of Series 2010 Bonds to be redeemed plus accrued interest to the date set for redemption. Simultaneously with the issuance of the Series 2020-A Bonds, the City and Regions Bank, in its capacity as escrow trustee, will enter into an Escrow Trust Agreement dated the date of the Series 2020 Bonds (the "Escrow Trust Agreement") under which the Board will deposit cash and direct obligations of the United States of America (the "2020-A Escrow Securities") maturing in such amounts and paying interest on such dates as will be sufficient to provide for payment of the redemption price of the Series 2010 Bonds.

Verification Report. In connection with execution and delivery of the Escrow Trust Agreement, Jackson Thornton & Co., PC, Montgomery, Alabama (the "Verification Agent"), will verify the adequacy of the cash and maturing principal and interest earned on the 2020-A Escrow Securities to provide for the redemption and payment of the Series 2010 Bonds and the yield on the 2020-A Escrow Securities.

Series 2020-B Bonds

Refunding of Series 2015 Bonds. Under the 2010 Indenture, the Board reserved the right to redeem and retire the Series 2015 Bonds on any date on or after September 1, 2025, at and for a redemption price equal to 100% of the principal amount of Series 2010 Bonds to be redeemed plus accrued interest to the date set for redemption. Simultaneous with the issuance of the Series 2020-B Bonds, the City will deposit cash and direct obligations of the United States of America (the "2020-B Escrow Securities") maturing in such amounts and paying interest on such dates as will be sufficient to provide for timely payment of maturing installments of the principal of and interest on the Series 2015 Bonds through and including September 1, 2025, and to pay, on September 1, 2025, the redemption price of those of the Series 2015 Bonds maturing in 2026 and thereafter (the "Called Series 2015 Bonds").

Verification Report. In connection with execution and delivery of the Escrow Trust Agreement, the Verification Agent will verify the adequacy of the cash and maturing principal and interest earned on the 2020-B Escrow Securities to provide for payment of maturing installments of principal of and interest on the Series 2015 Bonds through and including September 1, 2025, and to pay, on September 1, 2025, the redemption price of the Called Series 2015 Bonds.

SECURITY; SOURCE OF PAYMENT OF SERIES 2020 BONDS

General

The Series 2020 Bonds are not obligations of the City, the State of Alabama, or any other municipality, county or other political subdivision of the State of Alabama. The Series 2020 Bonds will not constitute obligations of or a charge against the general credit or assets of the Board and will not be secured by a foreclosable lien or mortgage on the System. The Board has no taxing power.

Pledge of Net System Revenues; Additional Parity Bonds

The Series 2020 Bonds are limited obligations of the Board payable solely out of and secured by a pledge of the Net Systems Revenues and by the lien of the Indenture. The Indenture permits the issuance thereunder from time to time of additional parity bonds ("Additional Parity Bonds"), secured by a pledge of the Net Systems Revenues and by the lien of the Indenture, on a parity with the Series 2020 Bonds upon compliance with the requirements set forth in the Indenture. See Appendix D "FORM OF INDENTURE" – Article VIII - Additional Bonds.

DEBT SERVICE REQUIREMENTS AND COVERAGE

Debt Service Requirements

The scheduled debt service on the Series 2020-A Bonds and the Series 2020-B Bonds, on a fiscal year basis, are as follows:

Fiscal Year Ended <u>September 30.</u>	Series 2020-A Bonds			Series 2020-B Bonds			Grand <u>Total</u>
	Principal	Interest	Total	Principal	Interest	Total	
2020	\$ 260,000	\$262,822	\$ 522,822	\$ 50,000	\$208,782	\$258,782	\$ 781,604
2021	1,080,000	602,625	1,682,625	200,000	484,220	684,220	2,366,845
2022	1,110,000	570,225	1,680,225	205,000	481,444	686,444	2,366,669
2023	1,150,000	536,925	1,686,925	205,000	478,496	683,496	2,370,421
2024	1,185,000	502,425	1,687,425	205,000	475,380	680,380	2,367,805
2025	1,215,000	466,875	1,681,875	215,000	472,125	687,125	2,369,000
2026	1,265,000	418,275	1,683,275	215,000	468,668	683,668	2,366,943
2027	1,315,000	367,675	1,682,675	220,000	464,703	684,703	2,367,378
2028	1,370,000	315,075	1,685,075	225,000	460,360	685,360	2,370,435
2029	1,425,000	260,275	1,685,275	225,000	455,669	680,669	2,365,944
2030	1,480,000	203,275	1,683,275	235,000	450,820	685,820	2,369,095
2031	1,545,000	144,075	1,689,075	235,000	445,521	680,521	2,369,596
2032	1,600,000	82,275	1,682,275	245,000	440,104	685,104	2,367,379
2033	115,000	18,275	133,275	1,800,000	434,310	2,234,310	2,367,585
2034	115,000	15,831	130,831	1,845,000	391,380	2,236,380	2,367,211
2035	120,000	13,388	133,388	1,890,000	345,532	2,235,532	2,368,920
2036	125,000	10,838	135,838	1,935,000	296,675	2,231,675	2,367,513
2037	130,000	8,181	138,181	1,990,000	242,553	2,232,553	2,370,734
2038	125,000	5,419	130,419	2,050,000	185,898	2,235,898	2,366,317
2039	130,000	2,763	132,763	2,110,000	126,509	2,236,509	2,369,272
2040	--	--	--	2,175,000	64,750	2,239,750	2,239,750

Computation of Net System Revenues

The following table sets forth the computation of Net System Revenues for the fiscal years of the Board ended September 30, 2015, through September 30, 2019.

	For the Fiscal Year Ended September 30,				
	2015	2016	2017	2018	2019 ⁽¹⁾
Revenues					
Total operating revenues	\$9,905,371	\$10,750,870	\$10,948,290	\$11,231,957	\$12,783,836
Interest income	55,873	58,064	68,984	120,896	183,002
Access fees	<u>763,200</u>	<u>721,800</u>	<u>1,152,600</u>	<u>1,057,200</u>	<u>1,059,600</u>
Total System Revenues	\$10,724,444	\$11,530,734	\$12,169,874	\$12,410,053	\$14,026,438
Expenses					
Total operating expenses	8,675,733	9,143,748	9,938,808	9,746,454	\$10,031,962
Less: Depreciation	(1,912,943)	(2,051,396)	(2,074,958)	(2,177,000)	(2,601,406)
Less: Amortization	(166,268)	(166,268)	--	--	--
Plus: Trustee fees and issuance expenses	<u>2,332</u>	<u>231,148</u>	<u>4,797</u>	<u>4,876</u>	<u>4,664</u>
Total Operating Expenses⁽²⁾	\$6,598,854	\$7,157,232	\$7,868,647	\$7,574,330	\$7,435,220
Net System Revenues	<u>\$4,125,590</u>	<u>\$4,373,502</u>	<u>\$4,301,227</u>	<u>\$4,835,723</u>	<u>\$6,591,218</u>

⁽¹⁾ Unaudited.

⁽²⁾ Does not take into account the OWWB True-Up Expense for such year.

Coverage

The maximum annual debt service on the Series 2020 Bonds, to occur in the fiscal year ending September 30, 2037, is \$2,370,734, and is covered approximately 2.78 times by unaudited Net System Revenues for the fiscal year ended September 30, 2019 of \$6,591,218, and the average annual debt service on the Series 2020 Bonds (for fiscal years 2020 through 2040, inclusive) of \$2,286,496 is covered approximately 2.88 times by unaudited Net System Revenues for such fiscal year.

As described in "THE SYSTEM – Water Supply Agreement with OWWB – OWWB True-Up Expense" herein, the Board incurs a one-time true-up expense that is paid on or around March 1 of each year for the preceding fiscal year. The OWWB True-Up Expense (hereinafter defined), which for the previous five fiscal years has been between \$268,158 and \$578,674 annually, is not included in the calculation of Net System Revenues based on unaudited financial information for the fiscal year ended September 30, 2019. The Board estimates that the OWWB True-Up Expense for the fiscal year ended September 30, 2019 will be approximately \$383,433, which will reduce coverage of the foregoing maximum annual debt service on the Series 2020 Bonds to approximately 2.62 times, and of the average annual debt service on the Series 2020 Bonds to approximately 2.71 times.

Planned Future Borrowing

Based on its long-term capital improvements plan, the Board plans to borrow approximately \$6.5 million in the fiscal year ending September 30, 2021 for expansion and improvements to the Estes Water Treatment Plant. While the Board has not undertaken work to consummate such transaction, it is likely this borrowing will occur through the issuance of a series of Additional Bonds secured by Net System Revenues on parity of lien with the Series 2020 Bonds under the Indenture. See Appendix D "FORM OF INDENTURE" – Article VIII - Additional Bonds.

THE BOARD

General

The Board is a public corporation incorporated under the provisions of Section 11-50-230 *et seq.* Code of Alabama 1975, as amended (the "Enabling Law"). The Board was originally incorporated in 1947. Under the Enabling Law, the Board is empowered, among other things, to issue bonds, to acquire real and personal properties, to acquire, construct, install, enlarge, improve, maintain and operate any water supply, treatment or distribution facilities, to

pledge its revenues from the System and to establish, collect and alter charges for services rendered by it. The Board has no taxing power and may not grant a foreclosable mortgage on any of its properties.

Board of Directors

The Board is governed by a five-member Board of Directors, the members of which are appointed for six-year staggered terms. The following persons are the current members of the Board:

Board Members	Date of Expiration of Current Term
Jeffrey Clary, Ed.D.	January 6 2022
Jennifer Chambliss	April 5, 2024
Bernard Hill	January 19, 2020
Brad Wilson	June 21, 2020
Frederick "Butch" Brock	August 7, 2021

Management

Under a management agreement with the City, the Water Resource Management Director for the City, Eric A. Carson, PE, administers, on behalf of the Board, the management and administrative operations of the Board, and the Finance Director for the City, Allison D. Edge, CPA, CGMA, administers, on behalf of the Board, the finances for the Board, including the operation of the Board's utility billing and collection office. The Board retains the responsibility for all policy making decisions respecting the System.

Mr. Carson has administered the management and administrative operations of the Board since his appointment as Water Resource Management Director in 2012. Mr. Carson coordinates the daily operations of the System, including reservoir management, water supply management, water treatment, water distribution, water storage and meter reading. Mr. Carson is also responsible for all Board master planning. Prior to 2012, Mr. Carson served the City as Water Resource Management Assistant Director (2001-2012) and as Water and Sewer Utility Engineer (1997-2001). Before joining the City in 1997, Mr. Carson served as a project engineer for Williams Engineering, Inc., for six years, and as engineer intern for Ecology and Environment, Inc., for one year. Mr. Carson is a member of the Water Environment Federation, the American Water Works Association, the Alabama Water and Wastewater Institute, and the American Society of Civil Engineers. Mr. Carson holds a bachelor's degree in civil engineering from Auburn University.

Mrs. Edge administers the finances for the Board, including the operation of the Board's utility billing and collection office. Beginning in May 2011, Ms. Edge served as Assistant Finance Director of the City. Ms. Edge commenced her role as Finance Director and Treasurer of the City on September 2, 2019, following the departure of her predecessor, Penny L. Smith, who had served as Finance Director and Treasurer of the City since early 2011. Mrs. Edge has a B.A. in Business Administration from LaGrange College and a Master of Accountancy degree from Auburn University. She is a Certified Public Accountant licensed in Alabama and a Chartered Global Management Accountant. She has served the City for over 20 years, serving in multiple positions. She is an adjunct instructor of governmental accounting at Auburn University Montgomery and has also served as a past president of the Government Finance Officers Association of Alabama. She also has more than 5 years' experience in banking and private sector accounting.

The Board currently employs 28 regular full-time personnel. The benefits and compensation for all Board employees are established by the Board's directors. Personnel policies are set by the Board and reviewed frequently. Employees of the Board are not represented by a labor union.

Franchise Agreement

By Ordinance No. 2654 adopted April 20, 2010, the City granted to the Board a franchise to acquire, construct, own, maintain, enlarge, improve and operate a water works plant and distribution system for the purposes of supplying water services to the City and the surrounding territory and the inhabitants thereof for a period of thirty (30) years from the effective date of said ordinance or the date on which all indebtedness of the Board secured by System revenues is no longer outstanding, whichever occurs first (the "Franchise"). The present expiration date of the Franchise is April 20, 2040 or until all debt of the Board has been paid in full, whichever is shorter. The Franchise provides that

the Board may construct and extend its mains, pipes, conduits, laterals and facilities over or under or along any street, avenue, alley or public way or place in the City for the purpose of constructing, repairing, improving, enlarging or extending said water system and that the Board shall upon making any excavation in the streets, avenues, alleys, public ways and places of the City in the exercise of the Franchise restore the surface and paving at the point of such excavation in substantially the same condition as before the work was done, within a reasonable time hereafter, and will hold the City harmless from any liability arising out of any change in the condition of any street, avenue, alley, public way or place by the Board.

Billing Procedures; Rate-Making Authority

The Board bills for water service on a multiple-cycle billing basis. The Board's customer base is divided into groups; approximately 25% of the customer base is billed each week for the first four weeks of each month. A late fee accrues on each account that does not have a zero balance by the fifteenth day following the billing date. A delinquent account fee accrues on each unpaid account on or after the 25th day following the billing date. After the delinquent account fee accrues, water service is subject to interruption for non-payment.

The Board of Directors of the Board has sole jurisdiction to set the rates for water service to the System's customers. These rates are not subject to regulation by any federal, State of Alabama or similar agency, but are subject to judicial review as to reasonableness.

No Debt Limitation

The Board is not subject to any general constitutional or statutory debt limitation.

Summary of Revenues and Expenses

The Board operates on a fiscal year beginning October 1 and ending September 30, and the significant accounting practices of the Board are summarized in the audited financial statements attached to this Official Statement as Appendix A. A five-year summary of the System's revenues and expenses and net operating revenues for the fiscal years ended September 30, 2014 to September 30, 2018, together with certain data regarding operating revenues and expenses, is presented as follows:

	2014	2015	2016	2017	2018
Operating Revenues					
Metered sales to customers	\$ 8,777,975	\$ 9,104,999	\$ 9,977,399	\$ 10,151,654	\$ 10,403,174
Fire protection fees and fire hydrant rentals	114,177	138,713	151,437	151,423	151,324
Consumer penalties	111,331	108,097	106,934	101,171	111,213
Initiation fees and service charges	88,417	88,335	88,199	83,069	87,193
Collection fees	233,083	172,850	142,250	182,820	188,150
Tapping fees	95,245	121,630	119,994	129,170	140,362
Stand-by electric power	25,052	-	-	-	-
Miscellaneous income	<u>128,667</u>	<u>170,747</u>	<u>164,657</u>	<u>148,983</u>	<u>150,541</u>
Total Operating Revenue	<u>9,573,947</u>	<u>9,905,371</u>	<u>10,750,870</u>	<u>10,948,290</u>	<u>11,231,957</u>
Operating Expenses					
Depreciation expense	1,906,808	1,912,943	2,051,396	2,074,958	2,177,000
Amortization expense – deferred refunding amount	166,268	166,268	166,268	-	-
Other operating expenses	<u>6,249,547</u>	<u>6,596,522</u>	<u>6,926,084</u>	<u>7,863,850</u>	<u>7,569,454</u>
Total Operating Expenses	<u>8,322,623</u>	<u>8,675,733</u>	<u>9,143,748</u>	<u>9,938,808</u>	<u>9,746,454</u>
Operating income (loss)	1,251,324	1,229,638	1,607,122	1,009,482	1,485,503
Nonoperating revenues (expenses)					
Interest income	60,393	55,873	58,064	68,984	120,896
Gain (loss) on disposal of assets	(4,378)	(319,332)	24,599	9,921	6,775
Amortization expense–deferred amount on refunding	-	-	-	(166,268)	(166,268)
Net increase (decrease) in fair value of investments	(26,395)	1,796	-	-	-
Bond trustee fees and issuance expenses	(2,332)	(2,332)	(231,148)	(4,797)	(4,876)
Interest expense	<u>(709,254)</u>	<u>(536,059)</u>	<u>(1,269,384)</u>	<u>(1,283,785)</u>	<u>(721,811)</u>
Total Nonoperating Revenue (expense)	<u>(681,966)</u>	<u>(800,054)</u>	<u>(1,417,869)</u>	<u>(1,375,945)</u>	<u>(765,284)</u>
Income before contributions	<u>569,358</u>	<u>429,584</u>	<u>189,253</u>	<u>(366,463)</u>	<u>720,219</u>
Capital contributions					
From developers	469,720	468,320	359,775	738,900	600,165
From access fees	768,300	763,200	721,800	1,152,600	1,057,200
From City of Auburn	-	<u>2,943</u>	-	-	<u>21,507</u>
Total Capital Contributions	<u>1,238,020</u>	<u>1,234,463</u>	<u>1,081,575</u>	<u>1,891,500</u>	<u>1,678,872</u>
Special items - Gain on settlement agreement	-	-	-	-	-
Increase in net position	<u>1,807,378</u>	<u>1,664,047</u>	<u>1,270,828</u>	<u>1,525,037</u>	<u>2,399,091</u>
Net assets, beginning of year	44,872,920	46,680,298	47,719,167	48,989,995	50,515,032
Prior period adjustment ⁽¹⁾	-	(625,179)	-	-	(102,921)
Net assets, beginning of year, as restated	<u>44,872,920</u>	<u>46,055,119</u>	<u>-</u>	<u>-</u>	<u>50,412,111</u>
Net assets, end of year	<u>\$46,680,298</u>	<u>\$47,719,166</u>	<u>\$48,989,995</u>	<u>\$50,515,032</u>	<u>\$52,811,202</u>

⁽¹⁾ Prior period adjustment for 2015 is related to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and the recording of the Board's net pension liability. Prior period adjustment for 2018 is related to the implementation of GASB Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and the recording of the Board's OPEB liability.

The following is the unaudited summary of the System's revenues and expenses and net operating revenues for the fiscal year ended September 30, 2019:

Operating Revenues	
Metered sales to customers	\$11,889,263
Fire protection fees and fire hydrant rentals	161,622
Consumer penalties	116,745
Initiation fees and service charges	83,697
Collection fees	224,719
Tapping fees	119,735
Stand-by electric power	23,493
Miscellaneous income	<u>164,562</u>
Total Operating Revenue	12,783,836
Operating Expenses	
Depreciation expense	2,601,406
Other operating expenses	<u>7,430,556</u>
Total Operating Expenses	10,031,962
Operating income (loss)	2,751,874
Nonoperating revenues (expenses)	
Interest income	183,002
Gain (loss) on disposal of assets	10,968
Amortization expense—deferred amount on refunding	(166,268)
Bond trustee fees and issuance expenses	(4,664)
Interest expense	<u>(1,361,119)</u>
Total Nonoperating Revenue (expense)	(1,338,081)
Income before contributions	1,413,793
Capital contributions	
From developers	807,075
From access fees	<u>1,059,600</u>
Total Capital Contributions	1,866,675
Increase in net position	3,280,468
Net assets, beginning of year	<u>52,811,202</u>
Net assets, end of year	<u>\$56,091,670</u>

THE SYSTEM

General

The Board provides water service to approximately 65,000 residents through approximately 24,000 metered accounts in the City of Auburn and the surrounding territory in Lee County, Alabama. The Board operates a water supply and distribution system consisting of a 300-acre water reservoir known as "Lake Ogletree," an 8.0 million gallons per day ("MGD") surface water treatment plant, six storage tanks representing 5.5 million gallons of storage, transmission and distribution facilities and approximately 320 miles of pipe. The average daily water demand for the System during fiscal year 2019 was 7.19 MGD. During fiscal year 2019, the Board produced an average of 5.98 MGD and purchased an average of 1.212 MGD. The maximum gallons sold in any day during the fiscal year ended September 30, 2019 was \$11.9 MGD.

Water Supply and the Water Supply Agreement

Surface Water Supply. Lake Ogletree reservoir was constructed in 1941 and serves as the primary drinking water supply for the Board. The reservoir has a total watershed of approximately 33 square miles. The capacity of Lake Ogletree has been increased several times over the past decades through dam, spillway and reservoir modifications. The Board most recently completed a reservoir expansion project between 1996 and 2002 and increased the total surface area of Lake Ogletree to approximately 300 acres. The Board completed engineering studies to evaluate the dam and spillway during 2008 and 2009. The Board completed the construction of a new spillway in late 2017. The project increased the storage volume of the reservoir by approximately 50 million gallons to a current full pool capacity of approximately 1.6 billion gallons.

Water Supply Agreement with OWWB. General. The Board and The Water Works Board of the City of Opelika (the "OWWB") have heretofore entered into that certain Amended Water Supply Agreement dated June 1, 1983, as amended by an Amendatory Agreement dated as of May 1, 1986, and a Second Amendment to the Amended Water Supply Agreement dated as of October 1, 1994 (the "Water Supply Agreement"). The Water Supply Agreement, which is effective through March 22, 2033, gives the Board the right to purchase up to 3.6 MGD through metered interconnections between the two water systems, and requires the Board to take or pay for at least 8 million gallons of water per month and at least 138 million gallons of water per fiscal year of the Board.

The quantity of water purchased and the corresponding amounts paid to OWWB pursuant to the Water Purchase Agreement for the preceding five (5) fiscal years have been as follows:

Fiscal Year Ended September 30,	Quantity of Water Purchased (million gallons)	Amounts Paid to OWWB*
2019	449.86**	\$557,623**
2018	515.93	619,111
2017	1,085.29 ⁽¹⁾	1,351,706
2016	756.22	927,204
2015	654.04	784,850

* Does not include OWWB True-Up Expense described in the immediately following paragraph.

** Unaudited.

⁽¹⁾ During fiscal 2017, the Board constructed a new dam outlet and spillway at its main water source, Lake Ogletree. During construction, the Board purchased more water than normal from OWWB in an effort to keep the lake level lower during construction.

OWWB True-Up Expense. The Board makes monthly payments to OWWB under the Water Supply Agreement based on OWWB's budgeted production and transportation costs for each fiscal year. After the conclusion of each fiscal year and in conjunction with release of its audited financial statements, OWWB determines the actual production and transportation costs for such fiscal year (typically on or around March 1 of the following year) and the Board makes a one-time true-up payment to OWWB to account for the difference between budgeted and actual production and transportation costs (such payment being herein called the "OWWB True-Up Expense"). For each of the fiscal years ended September 30, 2015 through September 30, 2018, the OWWB True-Up Expense has been \$268,158, \$328,393, \$578,674, and \$356,006, respectively. The Board estimates the OWWB True-Up Expense for the fiscal year ended September 30, 2019, to be \$383,433. The unaudited financial information of the Board for the fiscal year ended September 30, 2019 hereinabove shown does not reflect the OWWB True-Up Expense payment for that year.

Ground Water Supply. The Board supplements its surface water supply and water purchases from OWWB with a ground water production well. Through an agreement effective as of May 19, 2011 (the "Ground Water Agreement"), between the Board and Sandy Springs Farm II, LLC ("Sandy Springs II LLC"), the Board has secured access to a site located just outside the corporate limits of the City owned by Sandy Springs II LLC on which the Board constructed a well (the "Sandy Springs Well") and from which the Board is entitled to pump water in a quantity up to the maximum allowed under a permit granted from the Alabama Department of Environmental Management (presently, approximately 473,040,000 gallons annually). The Board makes payments to Sandy Springs II LLC under the Ground Water Agreement for the amount of water pumped by the Board from the Sandy Springs Well, and the Ground Water Agreement requires the Board to take or pay for 210,240,000 gallons annually. The Ground Water Agreement presently expires on or about May 19, 2031, and the Board has six (6) options to extend the present expiration date of the Ground Water Agreement, each such option being for a period of five (5) years.

The quantity of water pumped from the Sandy Springs Well, and the corresponding amounts paid to Sandy Springs II LLC, pursuant to the Ground Water Agreement for the preceding five (5) fiscal years have been as follows:

Fiscal Year Ended September 30,	Quantity of Water Pumped (million gallons)	Amounts Paid to Sandy Springs II LLC
2019*	463.62	\$259,444
2018	409.44	228,885
2017	429.61	236,284
2016	427.21	234,788
2015	418.56	225,320

* Unaudited.

Summary. The following table is a summary, by source, of water purchased for and produced from the System for the preceding five (5) fiscal years ended September 30:

Fiscal Year	Surface Water (million gal.)	Purchased Water from OWWB (million gal.)	Ground Water (million gal.)	Total Produced and Purchased (million gal.)
2019*	1,721.06	449.86	463.62	2,634.54
2018	1,564.54	515.93	409.44	2,489.91
2017	1,004.61	1,085.28	429.61	2,519.50
2016	1,466.71	756.22	427.20	2,650.14
2015	1,472.39	654.04	418.56	2,544.99

* Unaudited.

Water Treatment

Lake Ogletree supplies raw water to the James Estes Water Treatment Plant ("WTP") via a new pump station that was completed in November, 2014. The pump station has the capacity to handle an additional pump in the future for additional capacity, if needed. The current permitted capacity of the WTP is 8 MGD. Water pumped from the Sandy Springs Well is disinfected with chlorine onsite and is then pumped directly into the Board's distribution system.

Water Customers

The numbers of services of the Board as of September 30 for the past five (5) fiscal years, and selected treatment and distribution statistics for each such fiscal year, are set forth below:

Fiscal Year	Number of Services	Gallons Produced and Purchased (million gal.)	Gallons Sold (million gal.)	Intentional Water Loss ⁽¹⁾ (million gal.)	Unaccounted Gallons (million gal.)	Unaccounted Gallons as % of Total Produced and Purchased

2019	24,125	2,634.54	2,406.62	45.09	182.83	6.94
2018	23,683	2,489.91	2,215.68	52.95	221.28	8.89
2017	23,202	2,519.50	2,353.41	57.84	108.25	4.30
2016	22,752	2,650.14	2,428.28	44.06	177.80	6.71
2015	22,356	2,544.99	2,262.04	37.10	245.85	9.66

⁽¹⁾ Intentional water loss is attributable to flushing and hydrant maintenance for regulation, flow, and water quality purposes.

The ten (10) largest customers of the Board for the fiscal year ended September 30, 2019, were as follows:

Customer	Water Charges*
Auburn University	\$220,588
The Connection at Auburn	16,937
Borbet	12,658
City of Auburn	10,966
Auburn Board of Education	10,423
Auburn Student Apartments	9,849
Ridgewood	9,618
Briggs & Stratton	9,470
Dilworth Development	9,426
Waypoint Auburn St Owner	9,144

* Unaudited.

Water Rates

The Board has increased rates for services from the System twice since 2016. A rate increase (approved in September 2016) was implemented on October 1, 2017. During fiscal year 2018, a rate consultant was hired to complete a revenue sufficiency study for the Board's capital improvement plan funding. Based on the recommendation from the consultant and System staff, the Board approved an 8% rate increase for fiscal 2019. Those rates are currently in effect and are summarized below. Although the 2018 revenue sufficiency study does not include a rate increase for fiscal 2020, a recommended rate increase of 8% to be effective October 1, 2020 (Fiscal 2021) is included in the study. The Board will consider this increase during the fiscal 2021 and 2022 biennial budget process.

Schedule of Minimum Monthly Meter Charges (First effective February 1, 2019)

3/4"	Meter.....	\$ 15.75	per month
1"	Meter.....	26.20	per month
1 1/2"	Meter.....	52.37	per month
2"	Meter.....	78.54	per month
3"	Meter.....	170.19	per month
4"	Meter.....	340.39	per month
6"	Meter.....	680.76	per month
8"	Meter.....	1,361.55	per month
10"and larger	Meter.....	2,593.44	per month

Schedule of Access Fees* (First effective February 1, 2019)

3/4"	Meter.....	\$1,200
1"	Meter.....	2,400
1 1/2"	Meter.....	4,800
2"	Meter.....	9,600
3"	Meter.....	19,200
4"	Meter.....	36,000

6"	Meter.....	60,000
8"	Meter.....	120,000
10"and larger	Meter.....	180,000

* Water Access Fees for single family, multi-family and master metered residential development are calculated on a per unit basis.

**Schedule of Meter Set Fees
(First effective February 1, 2019)**

3/4"	Meter.....	\$ 200
1"	Meter.....	225

**Schedule of Monthly Charges (Based on Water Usage)
(First effective February 1, 2019)**

Use	Rate
First 3,000 gallons per month	\$15.75
All over 3,000 gallons per month	4.17 per 1,000 gallons

State Regulation

The Board is not presently subject to regulation by the Public Service Commission of the State of Alabama or any other state regulatory agency; however, the Board's rates are subject to judicial review for reasonableness and fairness.

GENERAL INFORMATION RESPECTING THE CITY OF AUBURN

The Series 2020 Bonds are not obligations of the City. The following information pertaining to the City is presented solely in order to give prospective purchasers of the Series 2020 Bonds certain information about the service area of the Board.

General

The City is located 50 miles east of Montgomery, Alabama. Auburn University is the dominant economic and cultural factor in the City. Additionally, the City serves as a regional retail center for Lee County and the surrounding counties. National accolades include being named the #13 "Best Small Place for Business and Careers in the U.S." in 2019 by *Forbes.com*. *Business Facilities Magazine* ranked the Auburn-Opelika MSA #1 in economic growth potential and #3 in job growth for small metro areas in its 2018 Metro Rankings Report. *Livability* ranked Auburn #93 on its list of 2018 Top 100 Best Places to Live.

Governmental Organization

The City is a municipal corporation under the laws of the State of Alabama. The municipal government is a Council-Manager form with administrative responsibility concentrated in the City Manager. The Mayor is elected at large and council members are elected from eight wards to four-year terms. The Mayor serves part-time and is the presiding member of the City Council.

Municipal Powers and Functions

The City provides for its citizens, police and fire protection, streets and highways, garbage and refuse collection, single stream recycling, sanitary sewage and disposal service and certain recreational and cultural services. The Board is a public corporation formed under Alabama law. The Board has the power, among others, to acquire, construct, improve, operate and maintain any water system within the corporate limits of the City and to issue revenue bonds for any of its corporate purposes.

Several municipal functions have been delegated by statute or City ordinance or resolution to municipal boards or commissions, such as the City of Auburn Board of Education, the Board, the Industrial Development Board of the City of Auburn, The Auburn Downtown Redevelopment Authority, the Commercial Development Authority of the City of Auburn, the City of Auburn Public Park and Recreation Board, the Housing Authority of the City of Auburn, and The Educational Building Authority of the City. Policy decisions concerning these functions are, in most cases, made by the applicable board or commission (the members of which are appointed by the Mayor and the City Council as designated by law and implemented by an administrative head or staff responsible to the City Manager. The public school system of the City is supervised by the City Board of Education, consisting of five members appointed by the Mayor and Council to serve for five-year terms.

Utilities

Alabama Gas Corporation provides gas service in the City, Alabama Power Company provides electricity for the City and the Water Works Board of the City of Auburn provides water service for the City.

Auburn University

Auburn University (the "University") is located on an 1,871-acre campus in the City. Enrollment at the Auburn campus for the 2019 Fall term totaled 30,460 (including 24,594 undergraduate students and 5,866 graduate students), and for the 2018 Fall term totaled 30,440 (including 24,628 undergraduate students and 5,812 graduate students). The University is a fully accredited land-grant institution organized in three divisions (Instruction, Research and Extension); the division of Instruction comprises ten undergraduate schools and one graduate school. Degrees awarded by the University include Bachelor of Arts, Bachelor of Science, Master of Arts, Master of Science, Doctor of Philosophy, Doctor of Education and Doctor of Veterinary Medicine.

Population

The following table shows the population of the City and Lee County as reported by the U.S. Bureau of the Census:

Year	City	County
2010*	53,380	140,247
2000	42,987	115,092
1990	33,830	87,146
1980	28,471	76,283
1970	22,767	61,268
1960	16,261	49,754

* The City estimates its population as of July 1, 2018 to be 65,738 based on US Census Bureau population estimates.

Major Employers

The following entities were the largest employers in the City at January 2019

Employer	Approximate Number of Employees
Auburn University	8,483
Auburn City Board of Education	1,010
City of Auburn and Auburn Water Works Board	725
Briggs & Stratton Corporation	525
Aptar CSP Technologies, Inc.	400
SCA, Inc.	345
WalMart SuperCenter	330
Borbet Alabama, Inc.	280
Seohan Auto/NTN Driveshaft USA Corp.	240
GE Aviation	275

Source: City of Auburn Economic Development

Building Permits

The number of building permits and their total value for the last five fiscal years are as follows:

Fiscal Year	Value of Building Permits⁽¹⁾	Number of Building Permits
2019	\$365,024,410	1,118
2018	254,920,081	1,089
2017	316,268,329	1,166
2016	220,728,782	918
2015	272,428,947	926

⁽¹⁾ City of Auburn Building Codes Enforcement Division

Education

The Auburn City School System ("ACS") was established in 1961 and is now the City's second largest employer. ACS is a relatively young system; yet, it has become a recognized leader in education throughout the state of Alabama. The mission statement of ACS is to "ensure each student realizes and embraces their own unique intellectual gifts to achieve personal aspirations while admirably contributing to the greater good, through a vital system distinguished by: compassion for others, sound stewardship of all resources, synergistic relationships within an engaged community, the creation and sharing of knowledge, and the courage and perseverance to create our future." Because education is a highly valued commodity, expectations by the community are ambitious. Teachers and administrators are challenged to meet the high standards set by the school system itself and by actively involved parent groups.

ACS is staffed with 683 certified instructors and administrative personnel of whom 31 have been awarded doctoral degrees, 45 have specialist certificates, 435 have master's degrees, and 172 have bachelor's degrees.

The primary focus of a curricular program is to prepare students to achieve their maximum potential. The evidence of a strong curricular program lies in the achievement of its students. Auburn students consistently score above the state and national averages in all curricular areas of assessment. The academic program at Auburn High School includes opportunities in both Advanced Placement and International Baccalaureate participation and boasts approximately 1,425 tests taken in the combined programs in 2019. There were also ten National Merit Finalists, one National Merit Semi-finalist, and four National Merit Commended Scholars in 2019. Approximately 93% of the graduating class is continuing their education in colleges, universities or training programs with approximately \$23 million in scholarship offers earned by the senior class. The graduation rate for Auburn High School is approximately 95%. Each student within each of these statistics is a face with a name who stands proudly as testament to a curricular program that provides multitudinous opportunities for each student to either achieve or prepare to achieve his or her maximum potential while a student at Auburn High School.

Student enrollment for ACS the last five school years was as follows:

Year	Enrollment
2019-2020	8,885
2018-2019	8,711
2017-2018	8,570
2016-2017	8,486
2015-2016	8,238

RISK FACTORS

Introduction

In deciding whether to purchase the Series 2020 Bonds, potential investors should consider certain risks and investment considerations which could affect the ability of the Board to pay debt service on the Series 2020 Bonds and any Additional Bonds or other obligations of the Board hereafter issued and payable from Net System Revenues in a timely manner and which could affect the marketability of or the market price for the Series 2020 Bonds. These risks and investment considerations are discussed throughout this Official Statement. Certain of these risks and investment considerations are set forth in this section for convenience, but this discussion is not intended to be a comprehensive or exhaustive compilation of all possible risks and investment considerations nor a substitute for an independent evaluation of the information presented in this Official Statement. Each prospective investor of Series 2020 Bonds should read this Official Statement in its entirety, including the appendices hereto, and should consult such prospective investor's own investment and/or legal advisor for a more complete explanation of the matters that should be considered when evaluating an investment such as the Series 2020 Bonds. Each prospective investor should carefully examine his, her or its own financial condition in order to make a judgment as to his, her or its ability to bear the risk of an investment in the Series 2020 Bonds.

Limited Source of Payment

The Series 2020 Bonds are limited obligations of the Board payable solely from the Net System Revenues and from the Special Funds. The Series 2020 Bonds do not constitute or give rise to a personal or pecuniary liability or a charge against the general credit of the Board. Further, neither the State of Alabama nor any political subdivision thereof (including, without limitation, the Board) is liable in any way for payment of the Series 2020 Bonds. Accordingly, payment of the Series 2020 Bonds is dependent upon the financial performance of the System.

General Economic and Political Risks

The financial performance of the System will be affected by, and will be subject to, general economic and political events and conditions that will change in the future to an extent and with effects that cannot be determined at this time. These general economic and political events and conditions include, among other things, population, demographic and employment changes and trends; periods of inflation or deflation; variable patterns of national and regional economic growth, whether cyclical or structural in nature; disruptions in credit and financial markets; political gridlock concerning, among other matters, national tax and spending policies; political developments in the City and within the City; budget and debt limit controversies, both nationally, at the State level and locally; and unusually large numbers of business failures and business and consumer bankruptcies and policy responses, or lack thereof, to the foregoing.

Risks Related to Collateral

The Series 2020 Bonds are not secured by a lien on the physical assets comprising the System. Accordingly, no physical assets of the Board may be foreclosed on to produce amounts to pay the Series 2020 Bonds in the event Net System Revenues are insufficient to pay timely debt service on the Series 2020 Bonds. Consequently, Net System Revenues and any enforcement of the security interest therein will be received over time as the Board deposits Net System Revenues into the funds and accounts of the Indenture and not in a lump sum following a liquidation event such as a foreclosure sale.

Enforceability of Remedies

The remedies available under the Indenture upon the occurrence of an Event of Default under the Indenture are in many respects dependent upon judicial actions, which are often subject to substantial discretion and delay. Additionally, under Alabama constitutional and statutory law and judicial decisions concerning remedies, certain of these remedies may be limited, or may not be readily available or enforceable. The enforceability of remedies or rights with respect to the Series 2020 Bonds also is limited by state and federal bankruptcy, reorganization, insolvency, sovereign immunity, moratorium and other similar laws affecting creditors' rights or remedies currently in effect and may be limited by such laws hereafter enacted.

Additional Parity Bonds

The Board may issue Additional Parity Bonds in accordance with the provisions of the Indenture. The issuance of Additional Bonds would, in the case of issuances to finance capital improvements, and could, in the case of issuances to refinance some or all of the Series 2020 Bonds, increase the debt service requirements to be serviced by Net System Revenues remaining after payment of the expenses of operating and maintaining the System. See "SECURITY; SOURCE OF PAYMENT – Pledge of Net System Revenues; Additional Parity Bonds" herein and Appendix D – "Form of Indenture" – Article VIII - Additional Bonds.

Rate Covenant and Limits on Future Rate Increases

In the Indenture, the Board has covenanted to make and maintain such rates and charges for service supplied from the System and to make collections from the users thereof in such manner as to produce amounts sufficient to produce Net System Revenues during each fiscal year at least equal to 110% of the amount required to be paid into the Bond Fund for such fiscal year. Notwithstanding these provisions of the Indenture, under Alabama law, rates for water service established by the Board must be reasonable and nondiscriminatory and are subject to review by Alabama courts in that regard. Consequently, any rates established pursuant to the Board's separate and independent covenant and agreement contained in the Indenture could be challenged as being arbitrary, discriminatory or excessive. Thus, there is a possibility that, if challenged, the Board will be unable to increase rates as may be contemplated or required by the Indenture.

Operating Risks

Operation of the System could be affected by many factors, the nature and extent of which are not currently determinable, including the unavailability or shortage of water supply, the breakdown or failure of equipment or processes, inability to achieve expected levels of efficiency, failure to operate at design specifications, failure by third parties to perform their obligations under agreements with the Board (whether or not excused by force majeure), costs of supplies or services not under contract, changes in law or regulatory protocols, delays in receipt of or failure to obtain or maintain necessary permits or similar events.

The System is at risk from catastrophic events such as an intervening act of God or public enemy, water shortage, drought, flooding, extreme or unusual weather conditions, earthquake or other natural disaster, sabotage, civil commotions, interference by civil or military authorities, fire, subsurface condition, public disorder, strike, labor dispute or other labor protest, stop-work order or injunction issued by a governmental authority or government embargo. The occurrence of such events could significantly reduce revenues and/or significantly increase the costs of operating the System, thereby jeopardizing the ability of the System to generate Net System Revenues sufficient to make timely payments of debt service on the Series 2020 Bonds and any Additional Bonds or other obligations of the Board hereafter issued and payable from Net System Revenues. In the Indenture the Board is required to maintain certain insurance coverage to protect against certain weather-related risks. The proceeds of such insurance may not be adequate to cover lost revenues or increased costs, and such insurance may not be available at all or such insurance may not be available on commercially reasonable terms.

Future Governmental Actions

Federal, state and local statutory and regulatory requirements (including requirements to obtain permits or other governmental approvals) applicable to the operation of the System are subject to change, and no assurance can be given that the Board will be able to comply with such changes. The timing and impact of such future legislative or

regulatory action cannot be predicted with certainty, and the impact of such action on the financial position of the System currently cannot be determined. Delay in obtaining or failure to obtain and maintain in full force and effect any required permits or other governmental approvals may result in additional costs or reduced revenues, including fines, a moratorium on water extensions and/or connections and, in extreme circumstances, the complete shutdown of the System or a substantial portion thereof. Such a change in legal requirements could occur because (i) existing laws or regulations are revised or reinterpreted; (ii) new laws or regulations are adopted or become applicable to the System; or (iii) a combination thereof. Further, there can be no assurance that the technology and equipment selected by the Board to comply with such revised or reinterpreted or new laws will be implemented in a timely fashion or will meet such changed requirements upon implementation. Consequently, any future revision or reinterpretation of existing laws or regulations or adoption of new laws or regulations could materially increase the cost of operating the System, which could have a negative and material impact on the Board's ability to make timely payment of debt service on the Series 2020 Bonds.

Any future revision or reinterpretation of existing laws or regulations or adoption of new laws or regulations could also impose significant additional capital costs on the System.

Rating

There is no assurance that the rating assigned to the Series 2020 Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Series 2020 Bonds. See "RATING" herein.

Future Tax Legislation

There can be no assurance that additional legislation will not be introduced or enacted after issuance and delivery of the Series 2020-A Bonds so as to cause interest on the Series 2020-A Bonds to be or become included in gross income for purposes of federal income taxation or to impose additional requirements as a condition to the exclusion of such interest from gross income, nor that the introduction or enactment of any such legislation will not adversely affect the marketability of the Series 2020-A Bonds.

Post-Issuance Compliance

The tax-exempt status of the Series 2020-A Bonds could be affected by post-issuance events. Various requirements of the Code must be observed or satisfied after the issuance of the Series 2020-A Bonds in order for such interest to remain excludable from gross income of the holders thereof. These requirements include restrictions on use of the proceeds of the Series 2020-A Bonds, use of the facilities financed by the Series 2020-A Bonds, investment of proceeds of the Series 2020-A Bonds, and the rebate of so-called excess arbitrage earnings. The Board is primarily responsible for such compliance, and a failure to comply could result in the inclusion of interest on the Series 2020-A Bonds in gross income retroactive to the date of issuance of the Series 2020-A Bonds.

Likewise, the Internal Revenue Service (the "IRS") conducts an audit program to examine compliance with the requirements applicable to tax-exempt obligations. If the Series 2020-A Bonds become the subject of an audit, under current IRS procedures, the Board would be treated as the taxpayer in the initial stages of an audit, and the owners of the Series 2020-A Bonds would have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2020-A Bonds could adversely affect the market value and liquidity of the Series 2020-A Bonds, even though no final determination about the tax-exempt status would have been made. If an audit were to result in a final determination that the Series 2020-A Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2020-A Bonds.

No Mandatory Redemption due to Event of Taxability

The Indenture does not provide for mandatory redemption of the Series 2020-A Bonds or payment of any additional interest or penalty if a determination is made that the Series 2020-A Bonds do not comply with the existing requirements of the Code or if a subsequent change in law adversely affects the tax-exempt status of the Series 2020-A Bonds or the economic benefit of investing in the Series 2020-A Bonds.

LITIGATION

Alabama law now prescribes certain limits on the liability of Alabama local governmental units, including the Board, for bodily injury, sickness, disease or death sustained by a person and for injury or destruction to tangible property. Those limits do not apply to certain types of claims.

The Board will furnish its certificate, dated the date of the delivery of the Series 2020 Bonds, stating in substance that there is no controversy or litigation of any nature pending or threatened, restraining or enjoining the issuance, sale, execution or delivery of the Series 2020 Bonds or any proceedings of the Board taken with respect to the issuance and sale thereof.

FEDERAL BANKRUPTCY

Under certain conditions, Title 11 of the United States Code, 11 U.S.C. 101, et seq. (the "Bankruptcy Code") permits a municipality to file a petition for relief in federal bankruptcy court to adjust debts under Chapter 9 of the Bankruptcy Code. Debt adjustment may include restructuring, reduction or other impairment of debt, subject to various conditions and limitations set forth in the Bankruptcy Code. Section 101 of the Bankruptcy Code defines "municipality" to mean a political subdivision, public agency or instrumentality of a State. To be eligible to file a Chapter 9 bankruptcy petition under Section 109 of the Bankruptcy Code, a municipality must be "specifically authorized, in its capacity as a municipality or by name, to be a debtor under [Chapter 9], or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor under [Chapter 9]." Section 109 of the Bankruptcy Code imposes additional requirements for a municipality to be eligible to file bankruptcy. Without limitation, the municipality must (a) be insolvent (either unable to pay debts as they come due or generally not paying debts as they come due); (b) desire to effect a debt adjustment plan; and (c) meet certain requirements regarding negotiations with creditors (or certain exceptions to such requirements). Alabama law authorizes municipalities, counties and certain public authorities to file petitions under the Bankruptcy Code. However, there is no legislation currently in effect in Alabama authorizing utility boards formed under the Enabling Law to file such petitions for relief. Such legislation authorizing utility boards to file petitions for relief under the Bankruptcy Code may well be enacted by the Legislature of Alabama in the future. The other conditions to eligibility are fact-specific to the time of filing the petition.

Section 922(d) of Chapter 9 of the Bankruptcy Code provides that a bankruptcy petition does not operate as a stay of "application of pledged special revenues" to the payment of indebtedness secured by such revenues in a manner consistent with other provisions of the Bankruptcy Code. Without limitation, Section 928 of the Bankruptcy Code provides that special revenues acquired by the debtor after commencement of a chapter 9 case remain subject to any lien resulting from any security agreement entered into by the debtor before commencement of the case, but further provides that any such lien on special revenues (other than municipal betterment assessments) derived from a project or system shall be subject to "the necessary operating expenses of such project or system." It is not clear whether the pledge of the Net System Revenues made by the Board for the benefit of the Series 2020 Bonds would constitute "special revenues" as that term is defined in Section 902(2) of the Bankruptcy Code. Moreover, the phrase "application of pledged special revenues" has given rise to arguments that the provisions of Section 922(d) apply only to funds in possession and control of the debtholders, or their trustee. Therefore, it is uncertain whether or not the filing of a Chapter 9 petition would affect application of revenues of the Net System Revenues for the payment of principal and interest on the Series 2020 Bonds. Similarly, it is uncertain whether Section 928 of the Bankruptcy Code would control the claims of holders of the Series 2020 Bonds with respect to the Net System Revenues.

The approving legal opinion of Bond Counsel will contain the customary reservation that the rights of the holders of the Series 2020 Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases. See "TAX MATTERS" below, the proposed form of approving legal opinion respecting the Series 2020-A Bonds set forth in Appendix B, and the proposed form of approving legal opinion respecting the Series 2020-B Bonds set forth in Appendix C.

EMPLOYEES' RETIREMENT

Defined Benefit Pension Plan

Employees of the Board participate in the Employees' Retirement System of Alabama (the "State System") which is operated by the State of Alabama. Contributions are made by employees and the Board to the State System. Membership is compulsory for all employees of the Board and the State System acts only in an administrative capacity with respect to the Board plan. The information given below respecting the participation of the Board in the State System relates only to the administration of the local plan by the State System and should not be interpreted as indicating that the State System is in any way responsible for the funding of any benefits payable to employees of the Board.

In general, employees of the Board participating in the State System are entitled to the same benefits provided for State employees as though those local employees were State employees having comparable years of covered service. Upon such election, the State System administers the local plan and the rates of contributions to be made by the Board are determined by the actuary for the State System. The cost of providing benefits is borne by the Board and no part of such cost is paid by the State System.

See "NOTE 9. DEFINED BENEFIT PENSION PLAN" (commencing on Page 37 of Appendix A hereto) to the Board's audited financial statements for the fiscal year ended September 30, 2018, attached as Appendix A hereto, for more information about the State System plan and the Board's most recently calculated pension liability and related pension information of the Board.

Other Post-Employment Benefits

The Board participates in the City's General Employees' OPEB Plan, a single-employer, defined benefit plan that provides medical benefits to eligible employees of the City and the Board upon retirement (the "OPEB Plan"). See "NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)" (commencing on Page 44 of Appendix A hereto) in Appendix A hereto for information concerning the most recently calculated OPEB Liability applicable to the Board and other OPEB Plan information relating to the Board.

TAX MATTERS

General

Series 2020-A Bonds. In the Indenture and certain certificates and agreements executed by the Board in connection with the issuance of the Series 2020-A Bonds, the Board has covenanted in effect that it will, to the extent permitted by law, comply with the provisions of the Code that constitute conditions to or requirements for the exclusion of the interest income of the Series 2020-A Bonds from the gross income of the recipient thereof for federal income tax purposes pursuant to the provisions of Section 103 of the Code and the exclusion of such interest income from the computation of the alternative minimum tax applicable to taxpayers other than corporations that is imposed by Section 55 of the Code (the "Compliance Covenants").

Bradley Arant Boult Cummings LLP, Bond Counsel to the Board, is of the opinion that, under the Code, as presently construed and administered, and assuming compliance by the Board with the Compliance Covenants the interest on the Series 2020-A Bonds will be excludable from gross income of the recipient thereof for federal income tax purposes pursuant to the provisions of Section 103 of the Code and will not constitute an item of tax preference for the purpose of computing the liability of individuals and corporations for the alternative minimum tax imposed by Section 55 of the Code, although a portion of the interest on the Series 2020-A Bonds will be included in alternative minimum taxable income of corporations for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code.

Prospective purchasers of the Series 2020-A Bonds should be aware that ownership of the Series 2020-A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2020-A Bonds. Bond Counsel to the Board will not express any opinion as to such collateral tax consequences.

Prospective purchasers of the Series 2020-A Bonds should consult their tax advisors as to collateral federal income tax consequences.

Series 2020-B Bonds. Interest on the Series 2020-B Bonds is not excludable from the gross income of the recipient thereof for federal income tax purposes pursuant to the Code.

Series 2020 Bonds – Alabama Income Taxation. Bond Counsel to the Board is of the opinion that, under existing statutes, interest on the Series 2020-A Bonds and the Series 2020-B Bonds is exempt from present Alabama income taxation.

Original Issue Discount

The initial public offering price to be paid for certain of the Series 2020-A Bonds (the "Original Issue Discount 2020-A Bonds") is less than the principal amount thereof. Under existing law, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Series 2020-A Bonds. Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount 2020-A Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount 2020-A Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Series 2020-A Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other taxable disposition thereof. The amount (if any) to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods (if any) multiplied by the yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Series 2020-A Bonds.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount 2020-A Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount 2020-A Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount 2020-A Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Discount 2020-A Bonds.

Original Issue Premium

The initial public offering price to be paid for certain of the Series 2020-A Bonds (the "Original Issue Premium 2020-A Bonds") is greater than the principal amount thereof. Under existing law, any owner who has purchased an Original Issue Premium 2020-A Bond in the initial public offering of the Series 2020-A Bonds is required to reduce his basis in such Original Issue Premium 2020-A Bonds by the amount of premium allocable to periods during which he holds such Original Issue Premium 2020-A Bonds, and the amount of premium allocable to each accrual period will be applied to reduce the amount of interest received by the owner during each such period. All owners of Original Issue Premium 2020-A Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Premium 2020-A Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Premium 2020-A Bonds.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2020-A Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2020-A Bonds.

Prospective owners of the Series 2020-A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the Series 2020-A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

RATING

Moody's has assigned a rating of "Aa2" to the Series 2020 Bonds. Any explanation of the significance of any such rating may be obtained only from the rating agency. There is no assurance that such rating will remain in effect for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's. Any such downward revision or withdrawal of such rating assigned to the Series 2020 Bonds may have an adverse effect on the market price of the Series 2020 Bonds. Neither the Board nor the Underwriter has undertaken any responsibility after the issuance of the Series 2020 Bonds to assure maintenance of the rating or to oppose any such revision or withdrawal.

UNDERWRITING

The Series 2020-A Bonds are being purchased by The Frazer Lanier Company Incorporated, Montgomery, Alabama (the "Underwriter"), at and for a purchase price equal to \$19,487,722.30 (which price reflects the initial par amount of the Series 2020-A Bonds, less an underwriting discount of \$100,317.00, plus net original issue premium of \$2,728,039.30). The Series 2020-A Bonds may be sold and offered to certain dealers (including dealers depositing such bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriter.

The Series 2020-B Bonds are being purchased by the Underwriter at and for a purchase price equal to \$18,365,073.75 (which price reflects the initial par amount of the Series 2020-B Bonds, less an underwriting discount of \$109,926.25). The Series 2020-B Bonds may be sold and offered to certain dealers (including dealers depositing such bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriter.

LEGAL MATTERS

The validity and legality of the Series 2020 Bonds are being approved by Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel to the Board, whose approving opinion will be delivered with the Series 2020-A Bonds and is anticipated to be substantially in the form attached hereto as Appendix B, and whose approving opinion will be delivered with the Series 2020-B Bonds and is anticipated to be substantially in the form attached hereto as Appendix C.

AUDIT

The Board's financial statements as of and for the fiscal year ended September 30, 2018, are attached as Appendix A hereto, and have been audited by Machen McChesney, LLP, Auburn, Alabama, as stated in its report dated March 12, 2019.

Machen McChesney, LLP, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Machen McChesney, LLP, also has not performed any procedures relating to this Official Statement.

CONTINUING DISCLOSURE

The Board will, upon issuance of the Series 2020 Bonds, enter into a Continuing Disclosure Agreement for the benefit of the beneficial owners of the Series 2020 Bonds (the "2020 Continuing Disclosure Agreement"), wherein the Board will agree to provide annually the audited financial statements of the Board and operating and financial data relating to the System (the "Annual Report"), and to provide, from time to time, notices of the occurrence of certain events. The Annual Report and event notices will be filed by the Board with the Electronic Municipal Market Access ("EMMA") system established by the Municipal Securities Rulemaking Board (the "MSRB") (or such other system as may be subsequently authorized by the MSRB). The specific nature of the information to be contained in the Annual Reports or the notices of material events and the other provisions of the 2020 Continuing Disclosure Agreement are summarized in Appendix E hereto. A failure by the Board to comply with the 2020 Continuing Disclosure Agreement must be reported in accordance with the Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission of the United States of America and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2020 Bonds in the secondary market.

MISCELLANEOUS

The agreements of the Board with the holders of the Series 2020 Bonds are fully set forth in the Indenture, and neither any advertisement of the Series 2020 Bonds nor this Official Statement should be construed as a contract or agreement between the Board and the purchasers or holders of the Series 2020 Bonds.

This Official Statement has been approved by the Board and distribution of copies hereof to prospective purchasers of the Series 2020 Bonds has been authorized by the Board.

THE WATER WORKS BOARD OF THE CITY OF AUBURN

By _____ /s/ Jeffrey Clary _____
Chairman
of the Board of Directors

APPENDIX A

**AUDITED FINANCIAL STATEMENTS AS OF AND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

THE WATER WORKS BOARD OF THE CITY OF AUBURN



ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2018

The Water Works Board of the City of Auburn

Annual Financial Report

For the Fiscal Year Ended September 30, 2018

Board of Directors

Jeff Clary, Ed.D., Chairman

Term expires January 2022

Butch Brock, Vice Chairman

Term expires August 2021

Jennifer Chambliss, Esq., Secretary

Term expires April 2024

Bernard Hill, Ph.D., Member

Term expires January 2020

Brad Wilson, Member

Term expires June 2020

Management

James C. Buston, III, City Manager

Eric A. Carson, PE, Water Resource Management Director

Penny L. Smith, CPA, CGFM, Finance Director/Treasurer

Kathy C. James, Utility Billing Financial Manager

Prepared by

Finance Department

Penny L. Smith, CPA, CGFM, Finance Director/Treasurer

Allison D. Edge, CPA, Assistant Finance Director/Treasurer

Kathy C. James, Utility Billing Financial Manager

Amy M. Saylor, Utility Accountant

Rachel E. Seibenhener, Finance Information Officer



THE WATER WORKS BOARD OF THE CITY OF AUBURN
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Water Works Board of the City of Auburn
Auburn, Alabama

We have audited the accompanying financial statements of the business-type activities of the Water Works Board of the City of Auburn, a component unit of the City of Auburn, Alabama, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Water Works Board of the City of Auburn as of September 30, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the Board adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information, and postemployment benefits other than pensions (OPEB) information (pages 53 through 55) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water Works Board of the City of Auburn, Alabama's basic financial statements. The schedule of operating expenses and the five year schedule of various operating data are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The five year schedule of various operating data has 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 it.

Machen McChesney, LLP

Auburn, Alabama
March 12, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Water Works Board of the City of Auburn
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2018

This section of the Water Works Board of the City of Auburn's (the Board) annual financial report presents management's discussion and analysis (MD&A) of the Board's financial performance during the fiscal year that ended on September 30, 2018. The financial statements contained in this report document the financial performance of the Board. The Board retains ownership and policymaking authority for the water system and contracts the day-to-day management of the water system to the City of Auburn, Alabama.

The Board was created on December 13, 1947. It operates as a separate public corporation under the laws of the State of Alabama. However, since the Board members are appointed by the City Council of the City of Auburn and the Board's financial structure meets certain other criteria, the Board is classified as a component unit of the City of Auburn; and the Board's financial information is included in the City's Comprehensive Annual Financial Report. Financially, the Board operates as an enterprise, using the full accrual basis of accounting (business-type accounting).

Management encourages the reader of this letter to consider the information presented here in conjunction with the financial statements and related narrative notes presented in this report. Additional information is available from the City of Auburn's FY2018 Comprehensive Annual Financial Report and the Board's 2017 Consumer Confidence Report, both of which are published on the City of Auburn web site (www.auburnalabama.org).

Financial Highlights

- The assets of the Board exceeded its liabilities at the close of the fiscal year by \$52.8 million (net position). Of this amount, the Board showed unrestricted assets of \$6.7 million, restricted assets of \$3.8 million, and \$42.3 million in net investment in capital assets.
- The Board's restricted assets decreased by \$3.1 million (45.3%) and current liabilities decreased by \$972,446 (26.3%) from September 30, 2017 to September 30, 2018.
- The Board experienced a 4.5% increase in net position from \$50.5 million at September 30, 2017 to \$52.8 million at September 30, 2018.
- Water sales increased by \$251,520 (2.5%) from sales in fiscal 2018.

Condensed Financial Information

The following condensed financial information provides an overview of the Board's financial status for the fiscal years ended September 30, 2018 and 2017.

Assets, Liabilities, Deferred Items, and Net position

A summarized comparison of the Board's assets, liabilities, and deferred items at year-end for fiscal years 2018 and 2017 is presented in Tables 1 and 3. For a more detailed comparison of the Board's financial position at fiscal year-end as compared to the prior year-end, please see Appendix I.

Table 1 **Excerpt from Statement of Net Position**
September 30

	2018 \$	2017 \$
Assets		
Current assets	<u>10,056,790</u>	<u>8,532,947</u>
Noncurrent assets		
Restricted assets	3,793,279	6,938,396
Capital assets (net)	<u>76,213,429</u>	<u>74,132,948</u>
Total noncurrent assets	<u>80,006,708</u>	<u>81,071,344</u>
Total assets	<u>90,063,498</u>	<u>89,604,291</u>
Deferred outflows of resources	<u>777,611</u>	<u>966,558</u>
Total assets and deferred outflows of resources	<u><u>90,841,109</u></u>	<u><u>90,570,849</u></u>

Assets and Deferred Outflows of Resources

Total assets, as shown in Table 1, increased in fiscal 2018 by \$459,207 (0.5%); changes involved the following:

- Current assets increased by \$1.5 million (17.9%). Components of this increase include the following:
 - Cash increased by \$1.3 million (20.5%). The increase is a result of revenues exceeding expenses by \$1.5 million.
 - Trade accounts receivable increased by \$226,810 (15.1%) due to increase in accounts receivable for utility services billed.
 - Prepaid expenses increased \$10,792 (19.8%) mainly due to the increase in fiscal 2018 of insurance premiums in the amount of \$24,739 (21.5%).
- Noncurrent assets decreased by \$1.1 million (1.3%). Components of this decrease include the following:
 - Restricted assets decreased by \$3.1 million (45.3%), primarily attributable to the decrease in the access fee account of \$2.6 million (68.7%). Access fees in the amount of \$3.6 million were used to help fund the dam outlet structure and spillway project at Lake Ogletree.
 - Capital assets, net of depreciation, increased by \$2.1 million (2.8%) from the prior year, as shown in Table 2. The main components of this change is the net effect of the increase in utility system, decrease in construction in progress, and increase in accumulated depreciation attributed to the capitalization of the dam outlet structure and spillway project at the Board's main water source, Lake Ogletree.

Table 2
**Changes in Capital Assets
At September 30**

Capital Assets	2018	2017
	\$	\$
Land and land clearing	1,349,510	1,338,503
Construction in progress	545,288	17,054,850
Utility system, plant and buildings	103,700,261	83,469,606
Mobile equipment	1,642,762	1,535,236
Office equipment	749,035	686,415
Tools	419,742	412,425
Capital assets before depreciation	<u>108,406,598</u>	<u>104,497,035</u>
Accumulated depreciation	<u>(32,193,169)</u>	<u>(30,364,087)</u>
Net capital assets	<u>76,213,429</u>	<u>74,132,948</u>

Assets with a cost of \$20.8 million were capitalized during fiscal 2018. These included the following:

- A number of new and replacement water lines such as the addition of 2,760 feet of 6 and 8 inch main at Summerlin Plat No. 1, the addition of 2,760 feet of 4, and 8 inch main at East Richland, the addition of 1,340 feet of 8 and 12 inch main at The Preserve Phase 5, and the addition of 2,288 feet of 4 and 8 inch main in Tuscany Hills Phase 5,
- Replacement of the roof at Bailey Alexander Water Resource Management building,
- The construction and completion of the Lake Ogletree Dam Outlet Structure and Spillway, and
- Replacement of four vehicles and heavy equipment in accordance with the Board's vehicle and equipment replacement plan.

Construction in progress costs at September 30, 2018, were \$545,288. The most significant component of construction in progress at fiscal year-end was the drilling of a test well in anticipation of a future water supply well in south Auburn. More details about this project can be found in the *Water Supply Well #4 Production Facilities and Transmission Main* section of this MD&A.

Liabilities and Deferred Inflows of Resources

The Board's total liabilities at the 2018 year-end were \$37.3 million, \$2.5 million (6.3%) less than in 2017. Current liabilities decreased by \$972,446 (26.3%) from fiscal 2017. This decrease is due partly to the reduction in the year-end payable for wholesale water purchases during fiscal 2018. In addition, long-term liabilities decreased by \$1.5 million (4.3%), due to principal repayments on long-term debt offset by a prior period adjustment to reflect an increase of approximately \$103,000 in the liability for other post-employment benefits.

At 2018 fiscal year-end, the Board had \$34.5 million in bond debt outstanding, of which \$910,000 will mature during fiscal year 2019. This long-term debt outstanding consists of two revenue bonds

issued in 2010 and 2015. At September 30, 2018, the outstanding principal balance of bonds issued in 2010 and 2015 was \$15.9 million and \$16.6 million, respectively. The latest maturity date for the Board's bonds is 2040.

During fiscal year 2018, the Board adopted GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. In accordance with the statement, a prior period adjustment in the amount of \$102,921 was recorded to reflect the Board's OPEB liability at the beginning of fiscal year 2018.

All debt issued by the Board is secured by revenues based on current water rates. In November 2015, Moody's Investors Service affirmed the Board's rating at Aa2. The Moody's rating report cited the Board's solid financial position, modest debt burden, and growing customer base.

Table 3 **Excerpt from Statement of Net Position**
September 30

	2018 \$	2017 \$
Liabilities		
Current liabilities payable from current assets	1,681,426	2,306,078
Current liabilities payable from restricted assets	1,040,276	1,388,070
Long-term liabilities	33,961,006	35,491,828
Customer deposits	645,514	640,767
Total liabilities	<u>37,328,222</u>	<u>39,826,743</u>
Deferred inflows of resources	701,685	229,074
Total liabilities and deferred inflows of resources	<u>38,029,907</u>	<u>40,055,817</u>
Net position		
Net investment in capital assets	42,338,085	39,448,196
Restricted for		
Debt service (expendable)	2,606,798	2,592,553
Capital projects (expendable)	1,182,323	3,090,950
Unrestricted	6,683,996	5,383,333
Total net position	<u>52,811,202</u>	<u>50,515,032</u>

Net Position

The Board's net position at September 30, 2018 totaled \$52.8 million, an increase of \$2.3 million (4.5%). The components of net position changed as follows:

- Net investment in capital assets increased by \$2.9 million (7.3%) as the outstanding balance of bonds payable decreased by \$865,000 (2.3%), and capital assets, net of accumulated depreciation increased by \$2.1 million (2.8%)
- Restricted net position for capital projects decreased by \$1.9 million (61.7%), as the result of the depletion of bond funds and the use of access fees to fund the Lake Oglethorpe Dam Outlet and Spillway project.
- Unrestricted net position increased by \$1.3 million (24.2%) due to operating income of \$1.5 million.

Results of Operations

The Board experienced an operating net income of \$1.5 million in fiscal 2018, an increase of \$476,021 (47.2%) from the prior year's income. This increase in operating net income was attributable to the increase in operating revenues of \$283,667 (2.6%) coupled with a decrease in operating expenses of \$192,354 (1.9%) compared to fiscal year 2017. Details of this change are included in the *Operating Revenues* and *Operating Expenses* sections of this MD&A. Table 4 illustrates the Board's operating revenues and expenses and change in net position.

Table 4 **Condensed Operating Statement**
Fiscal Year Ending September 30

	2018	2017
	\$	\$
Operating revenues		
Water sales to consumers	9,308,060	8,866,116
Water sales to Auburn University	1,095,114	1,285,538
Other operating revenues	<u>828,783</u>	<u>796,636</u>
Total operating revenues	<u>11,231,957</u>	<u>10,948,290</u>
Operating expenses		
Depreciation	2,177,000	2,074,958
Other operating expenses	<u>7,569,454</u>	<u>7,863,850</u>
Total operating expenses	<u>9,746,454</u>	<u>9,938,808</u>
Operating income	1,485,503	1,009,482
Nonoperating revenues (expenses)	(765,284)	(1,375,945)
Capital contributions	<u>1,678,872</u>	<u>1,891,500</u>
Increase in net position	<u>2,399,091</u>	<u>1,525,037</u>

Operating Revenues

Total operating revenues for fiscal 2018, which include water sales, tap and meter set fees, and collection fees, increased \$283,667 (2.6%). This change is mainly attributable to a slight increase in water sales of \$251,520 (2.5%) and increases in penalties, service charges, and tapping fees. The largest component of operating revenue is water sales, representing 92.6% of the Board's total operating revenue. In fiscal 2018, water revenue from consumers, other than Auburn University, increased by 5.0%; water revenue from Auburn University decreased 14.8%. During an audit of the university's large meters, it was noted that a meter was not measuring usage correctly. The meter was corrected and sales to date for fiscal 2019 are tracking normally. The major reason for the increase in water sales revenue was the 5.0% rate increase effective the beginning of fiscal 2018. The Board sold 2.2 billion gallons of water during fiscal 2018, a decrease of 137.7 million gallons (5.9%) from 2017. Water usage in fiscal 2018 was slightly lower because the City experienced wetter than average conditions in both 2017 and 2018.

Graph 1, Table 5, and the narrative following Table 5 illustrate the Board's various sources of operating revenues.

Graph 1

2018 Operating Revenues

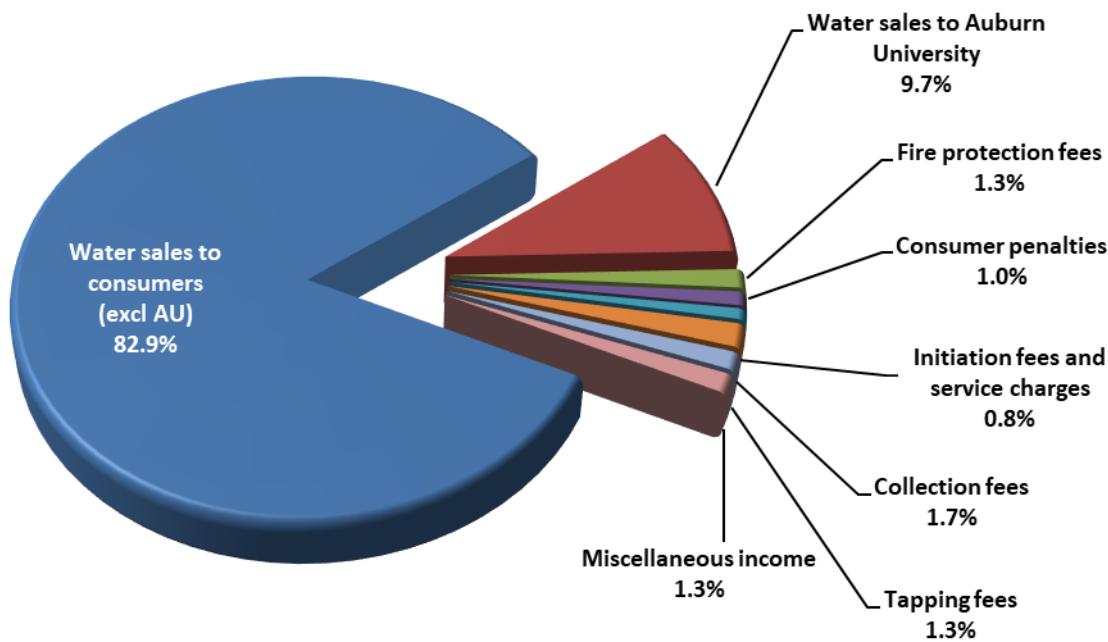


Table 5

Operating Revenue Sources
Fiscal Year Ended September 30

	2018	2017
	\$	\$
Water sales to consumers, excluding AU	9,308,060	8,866,116
Water sales to Auburn University	1,095,114	1,285,538
Fire protection fees	151,324	151,423
Consumer penalties	111,213	101,171
Initiation fees and service charges	87,193	83,069
Collection fees	188,150	182,820
Tapping fees	140,362	129,170
Miscellaneous income	<u>150,541</u>	<u>148,983</u>
Total operating revenues	<u>11,231,957</u>	<u>10,948,290</u>

- Rainfall statistics at Lake Ogletree indicated that rainfall decreased by 9.0% from 2017 to 2018. Normal annual rainfall at the lake is approximately 52 inches. Measured rainfall for fiscal 2018 at the lake was 52.9 inches; whereas, measured rainfall for fiscal 2017 was 58.2 inches. Although the average rainfall for fiscal 2018 was practically normal, rainfall statistics revealed over 8.9 inches more than normal during the growing season months, June through September.
- The Board implemented a rate increase for monthly water usage charges for fiscal year 2018. The minimum monthly bill of 3,000 gallons for residential water customers increased from \$13.89 to \$14.58 (5.0%), effective October 1, 2017.
- Revenues from regular meters increased by 4.0% while revenues from irrigation meters decreased by 14.3%. The decrease in revenues from irrigation meters was the result of wetter weather conditions during the summer months of fiscal 2018.

Other operating revenue sources also influenced the trend in total operating revenues. In fiscal year 2018, consumer penalties increased by \$10,042 (9.9%) and tapping fees increased by \$11,192 (8.7%). Tapping fees are overstated in fiscal 2018 due to an immaterial error in the amount of \$21,000 that will be corrected in fiscal 2019.

Operating Expenses

During fiscal 2018, the Board's operating expenses decreased \$192,354 (1.9%) from the prior year. Graph 2 and Table 6 illustrate the categories of the Board's operating expenses. Notable changes and other smaller items are explained following Table 6.

Graph 2

2018 Operating Expenses by Function

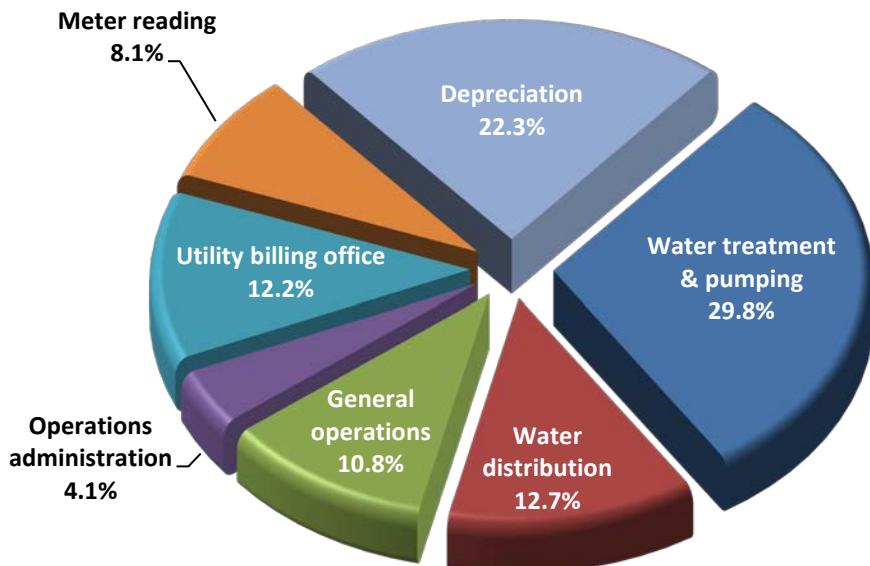


Table 6

Operating Expenses by Function

Fiscal Year Ended September 30

	2018	2017
	\$	\$
Water treatment & pumping	2,900,480	3,680,811
Water distribution	1,241,245	1,248,912
General operations	1,053,267	680,954
Operations administration	400,073	386,967
Utility billing office	1,186,617	1,124,113
Meter reading	787,772	742,093
Depreciation	2,177,000	2,074,958
Total operating expenses	<u>9,746,454</u>	<u>9,938,808</u>

- In the water treatment and pumping division, total expenses decreased \$780,331 (21.2%). The decrease was predominantly due to a decrease in wholesale water purchases from Opelika Utilities (OU) in fiscal 2018. The Board purchased 515.9 million gallons of water from OU in fiscal 2018 and 1.1 billion gallons in fiscal 2017, a decrease of 569.4 million gallons (52.5%). Water purchases from OU were \$974,135 in fiscal 2018, a decrease of \$956,245 (49.5%), due to management's conscientious decision to decrease purchases as a precaution to maintain the Board's water quality.
- In the general operations division, total expenses increased \$372,313 (54.7%). The primary reason is the increase of \$263,014 (100.0%) in Contribution to the City for the Board's portion of the shared cost of the new fueling station located adjacent to the Water Resource Management Complex.

- In the utility billing division, total expenses increased \$62,504 (5.6%). The increase was mainly due to an increase of \$52,434 (18.7%) in bank fees. Bank fees increase as customer payments via credit cards increase.

Non-operating revenues and expenses consist of items not directly related to the operation of the Board's water system. These include investment income, expenses related to borrowed funds, and replacement of assets not fully depreciated.

Table 7 lists the components of the Board's non-operating revenues and expenses for fiscal years 2018 and 2017.

Table 7 **Non-operating Revenues and Expenses**
Fiscal Year Ended September 30

	2018	2017
	\$	\$
Interest income	120,896	68,984
Gain on disposal of assets	6,775	9,921
Bond trustee fees and amortization	(171,144)	(171,065)
Interest expense	(721,811)	(1,283,785)
Non-operating revenues (expenses)	(765,284)	(1,375,945)
City of Auburn	21,507	-
Capital contributions from developers	600,165	738,900
Access fees	1,057,200	1,152,600
Capital contributions	1,678,872	1,891,500
Total non-operating revenues (expenses) and capital contributions	913,588	515,555

In fiscal 2018, interest income increased by \$51,912 (75.3%) from the prior year. The positive change is directly related to increases in interest rates on cash and investment balances. Furthermore, transfers were made from cash accounts to investments as necessary to earn more interest on the Board's assets.

Interest expense on borrowed funds decreased by \$561,974 (43.8%) in fiscal 2018, primarily due to the increase in capitalized interest recorded. Capitalized interest is the interest related to a capital project and is added to the cost of the asset. An increase in capitalized interest results in a decrease in interest expense proportionally.

Capital Contributions

Capital contributions are derived from two distinct sources, access fees and capital contributions from developers.

Access fees are paid by developers and are typically used to fund designated capital improvement projects. Access fees provided revenues of \$1.1 million and \$1.2 million in fiscal 2018 and 2017, respectively. Since access fees are related to growth within the water system, revenues from this source will vary from year to year depending on the number and type of construction projects during any given year.

Capital contributions from developers are received from developers who are required to install water lines within their projects. Typically, these lines are donated to the Board for ongoing maintenance. These donated capital assets are recorded at their estimated fair value as of the date of donation. The Board received donated water infrastructure valued at \$600,165 in fiscal 2018, a decrease of \$138,735 (18.8%) from the prior year.

The amount of such donated capital assets is highly variable, depending on the number and size of new developments completed each fiscal year. Capital contributions from developers consisted of the projects completed during the year ended September 30, 2018, presented in Table 8.

Table 8 **Lines Contributed by Developers**

	\$
<i>Residential Subdivision</i>	
Auburn Links Phase 1	61,200
Cottage Homes at East University	18,000
Corbett Subdivision Phase 2	21,600
Longleaf Crossing Phase 4	30,600
The Preserve Phase 5	60,300
Summerlin Plat Number 1	145,800
The Talons at Auburn	19,305
Tuscany Hills Phase 5 A & B	102,960
East Richland	124,200
<i>Commercial Development</i>	
Samford Commercial Plat Number 2	<u>16,200</u>
	<u><u>600,165</u></u>

Other Financial Information

Rate Changes

A rate increase was implemented on October 1, 2017 as approved by the Board in September 2016. The minimum monthly bill of 3,000 gallons for residential water customers increased from \$13.89 to \$14.58 (5%).

During fiscal year 2018, a rate consultant was hired to complete a revenue sufficiency study for the Board's capital improvement plan funding. Based on the recommendation from the consultant and staff, the Board approved an 8% rate increase for fiscal 2019. The minimum monthly bill of 3,000 gallons for residential water customers increased from \$14.58 to \$15.75 (8%), effective January 1, 2019. No rate increase is planned for fiscal 2020.

Projects in Progress

Projects that were underway in fiscal 2018 and scheduled for completion in fiscal 2019 include:

- Bailey-Alexander complex renovations,
- Water distribution system master plan,
- Lake Ogletree spillway supplemental drain sump pump system – Phase II,

- Well No. 3 pump shaft, bowl, and impeller replacement,
- Mill Creek subdivision pressure reducing valve improvements,
- Farmville Road meter electric control valve,
- Distribution water quality station,
- Gold Hill water pumping station building climate conditioning.

Projects included in the Board's long-term capital improvement plan are:

- Water Supply Well No. 4,
- Water Supply Well No. 4 transmission main,
- Opelika Road water extension – Phase I, II & III,
- James Estes Water Treatment Plant expansion and improvements,
- Teague Court elevated water tank rehabilitation,
- Fixed network meter reading system,
- West Farmville elevated water tank rehabilitation,
- Water Facilities Master Plan update,
- Moores Mill meter and transmission main.

Lake Ogletree Dam Outlet Structure and Spillway

As noted earlier, the Lake Ogletree Dam Outlet Structure and Spillway was a significant project undertaken by the Board. Engineering studies performed had deemed it necessary to replace the over 75 year old spillway at Lake Ogletree, the City's main water source. The engineering design of the new spillway commenced in late 2014. The primary design elements consisted of 4-stage labyrinth weir designed to pass 75 percent of the 24-hour probable maximum precipitation event. The new spillway design increased the full pool elevation by 0.5 feet, thus providing approximately an additional 50 million gallons in storage to the lake.

In August 2015, the Board awarded the construction contract for the project. During construction an unexpected subsurface void was encountered during excavation activities. This unknown subsurface condition led to additional geological investigations during construction, resulting in several change orders to address the discoveries. Though the unforeseen subsurface conditions caused a delay to the project, the contractor resumed original contract construction activities in late summer 2016 and the spillway was completed in November 2017. The total cost of the project was \$19.4 million.

Water Supply Well #4 Production Facilities and Transmission Main

In mid-2017, a prospective well was drilled in south Auburn near Sandhill Road by a land owner. The owner approached the Board to gauge interest in developing the well into a water supply source. A new larger well was drilled by the Board and an evaluation was performed by the Board's engineering consultant which indicated that the well appeared to be a viable source. Testing performed on the well in late spring and early summer 2018 indicated that the well had an exceptional pumping capacity.

Since that time, the Board has initiated final design of the wellhead facilities and the water transmission pipeline. The project is expected to bid in the spring/summer of 2019 with construction lasting into the summer of 2020.

Water Sources

The Board utilizes three sources to provide safe drinking water to the citizens of Auburn: Lake Ogletree, a groundwater well (AWWB Well #3), and purchases from Opelika Utilities. Additionally, Lake Ogletree is sometimes supplemented with water from the Martin Marietta Quarry.

The main water supply comes from Lake Ogletree, located in southeast Auburn. Lake Ogletree has a total capacity of approximately 1.5 billion gallons with a surface area of approximately 300 acres at full pool, and is fed primarily by Chewacla and Nash Creeks. In fiscal 2018, approximately 63% of Auburn's drinking water came from Lake Ogletree.

In 2012, the Board constructed AWWB Well #3 south of Interstate 85. The Board leases the well site from Sandy Springs Farm II, LLC. Per the Alabama Department of Environment Management permit, the Board has the right to pump 473 (1200 gallons per minute for 18 hours per day) million gallons per year from the well. In fiscal 2018, approximately 16% of Auburn's water supply came from the well.

In 2012, the Board renewed its water supply agreement with Opelika Utilities. The agreement gives the Board the right to purchase up to 3.6 million gallons of water per day at a contract rate. Additionally, under this 'take or pay' agreement, the Board has an obligation to purchase not less than 138 million gallons of water per year. In fiscal 2018, water purchases from Opelika Utilities provided approximately 21% of the water supply for the City of Auburn.

In 2003, the Board entered into a Safe Harbor Agreement to provide for the protection of certain endangered species in Chewacla Creek, the primary watershed contributor to Lake Ogletree. The agreement requires the Board to release 2 million gallons of water per day from the lake. In exchange, upon the Board's request, Martin Marietta must pump at least 3.5 million gallons of water per day from the quarry basin to Lake Ogletree.

Utility Billing

In fiscal year 2018, the Utility Billing Office (UBO) continued to see the trend of customers preferring the convenience of paying their bills through the City's website. For fiscal year 2018, the average number of payments accepted via the Interactive Voice Response (IVR) system increased by 1.3%; however, payments made through online web extensions increased 9.0%, over fiscal 2017. For fiscal year 2018, credit card payments comprised 58.5% of the average total payments; the average number of customers who paid with a credit card was about 10,400 per month out of approximately 17,800, a 3.0% increase from 2017. Phone and walk in credit card payments decreased by 6.3% from fiscal 2017. These statistics support the customers' desire for new technology and convenience.

In fiscal 2017, in order to achieve its goal to provide efficient and effective financial services to the citizens of Auburn, the City began the lengthy process of migrating to a more robust financial software package that has the capability to evolve and keep pace with technological advances. As a component unit of the City, the Board is included in the multi-year implementation that will comprise a utility billing and payment module. Management is encouraged that the new software package will provide improved efficiencies in customer account and usage tracking and enhanced management analysis. Staff has begun training on utility billing and payment module that will be implemented in early fiscal 2020.

Economic Factors

As the economy within the State of Alabama and the nation as a whole continues to improve, Auburn has remained stable and has experienced a growing economy. The City's unemployment rates

typically compare favorably with the State and national rates. The most recent data available from the Alabama Department of Labor show that for September 2018 Auburn's unemployment rate was 3.5%. The State's unemployment rate in September 2018 was 3.8%; the national rate was 3.7% (US Bureau of Labor Statistics).

The City's aggressive, yet selective, industrial and commercial recruitment strategies, the presence of Auburn University, and the exceptional City school system, all combine to position Auburn as a strong municipal economy. The Board benefits from the stable economy of Auburn, allowing it to expand and meet the water needs of the community.

Conclusion

This financial report is designed to provide Board customers, Auburn citizens, investors and creditors with a general overview of the Board's finances, and to demonstrate the Board's accountability for the public assets under its management. Please contact the City of Auburn Finance Department, 144 Tichenor Avenue, Suite 5, Auburn, Alabama 36830 (telephone 334-501-7220), with any questions or to request additional financial information about the Board. For information about the Board's water supply, water treatment and distribution system and watershed management activities, please contact the City of Auburn Water Resource Management Department, 1501 West Samford Avenue, Auburn, Alabama 36832 (telephone 334-501-3060). Please contact the Finance Department's Utility Billing Office (UBO) with questions regarding billing and collections. The UBO is also located at 1501 West Samford and may be contacted at 334-501-3050. Questions and information requests may also be submitted via the City's website: www.auburnalabama.org.



BASIC FINANCIAL STATEMENTS

THE WATER WORKS BOARD OF THE CITY OF AUBURN
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

ASSETS	
Current assets	
Cash	\$ 7,817,942
Accounts receivable, net	1,727,407
Accounts receivable, City of Auburn	140,639
Inventory	305,473
Other current assets	<u>65,329</u>
Total current assets	<u>10,056,790</u>
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	1,182,323
Investments	2,606,798
Interest receivable	<u>4,158</u>
Total restricted assets	<u>3,793,279</u>
Capital assets, nondepreciable	
Land and land clearing	1,349,510
Construction in progress	<u>545,288</u>
Total capital assets, nondepreciable	<u>1,894,798</u>
Capital assets, depreciable	
Utility system and plant	96,555,454
Buildings and improvements	7,144,807
Office equipment	749,035
Mobile equipment	1,642,762
Tools	<u>419,742</u>
	106,511,800
Less accumulated depreciation	<u>(32,193,169)</u>
Capital assets, depreciable, net	<u>74,318,631</u>
Total noncurrent assets	<u>80,006,708</u>
Total assets	<u>90,063,498</u>
Deferred outflows of resources	
Deferred amounts on refunding	637,361
Deferred outflows OPEB related	3,753
Employer pension contributions subsequent to the measurement date	<u>136,497</u>
Total deferred outflows of resources	<u>777,611</u>
Total assets and deferred outflows of resources	<u>\$ 90,841,109</u>

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

THE WATER WORKS BOARD OF THE CITY OF AUBURN
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2018

LIABILITIES

Current liabilities payable from current assets	
Accounts payable	\$ 945,763
Accounts payable, City of Auburn	715,974
Accrued expenses	15,779
Payroll taxes payable	<u>3,910</u>
Total current liabilities payable from current assets	<u>1,681,426</u>
Current liabilities payable from restricted assets	
Current portion of bonds payable	910,000
Retainage payable	7,325
Interest payable	<u>122,951</u>
Total current liabilities payable from restricted assets	<u>1,040,276</u>
Long-term liabilities	
Bonds payable, net of current portion	33,602,705
Accumulated annual leave	60,629
Postemployment benefits payable	148,104
Net pension liability	<u>149,568</u>
Total long-term liabilities	<u>33,961,006</u>
Other liabilities	
Customer water deposits	<u>645,514</u>
Total other liabilities	<u>645,514</u>
Total liabilities	<u>37,328,222</u>
Deferred inflows of resources	
Deferred inflow OPEB related	3,943
Net difference between projected and actual earnings on pension plan investments	<u>697,742</u>
Total liabilities and deferred inflows of resources	<u>38,029,907</u>
NET POSITION	
Net investment in capital assets	42,338,085
Restricted for:	
Debt service	2,606,798
Capital projects	1,182,323
Unrestricted	<u>6,683,996</u>
Total net position	<u>\$52,811,202</u>

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

THE WATER WORKS BOARD OF THE CITY OF AUBURN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2018

Operating revenues	
Metered sales to consumers	\$10,403,174
Fire protection fees	151,324
Consumer penalties	111,213
Initiation fees and service charges	87,193
Collection fees	188,150
Tapping fees	140,362
Miscellaneous income	<u>150,541</u>
Total operating revenues	<u>11,231,957</u>
Operating expenses	
Depreciation expense	2,177,000
Other operating expenses	<u>7,569,454</u>
Total operating expenses	<u>9,746,454</u>
Operating income	<u>1,485,503</u>
Nonoperating revenues (expenses)	
Interest income	120,896
Gain on disposal of assets	6,775
Amortization expense - deferred amount on refunding	(166,268)
Bond trustee fees and issue expenses	(4,876)
Interest expense	<u>(721,811)</u>
Total nonoperating revenues (expenses)	<u>(765,284)</u>
Income before contributions	<u>720,219</u>
Capital contributions	
From the City of Auburn	21,507
From developers	600,165
From access fees	<u>1,057,200</u>
Total capital contributions	<u>1,678,872</u>
Increase in net position	<u>2,399,091</u>
Net position, beginning of year	50,515,032
Prior period adjustment	<u>(102,921)</u>
Net position, beginning of year as restated	<u>50,412,111</u>
Net position, end of year	<u>\$52,811,202</u>

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

THE WATER WORKS BOARD OF THE CITY OF AUBURN
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018

Operating activities	
Cash received from customers	\$10,852,163
Other cash received	150,541
Cash paid to City of Auburn for payments in lieu of tax	(314,387)
Customer deposits collected	4,747
Cash paid to suppliers for goods and services	(5,528,561)
Cash paid to employees for services	<u>(2,827,157)</u>
Net cash provided by operating activities (A)	<u>2,337,346</u>
Capital and related financing activities	
Cash received for access fees	1,057,200
Cash received from sale of capital assets	6,776
Cash paid for acquisition and construction of capital assets	(2,955,002)
Cash paid for principal repayment on debt maturities	(865,000)
Cash paid for interest and fiscal fees on debt maturities	<u>(1,521,614)</u>
Net cash used by capital and related financing activities	<u>(4,277,640)</u>
Investing activities	
Interest received on investments	120,896
Cash paid for purchase of investments	(2,426,446)
Cash received on sale of investments	<u>2,982,116</u>
Net cash provided by investing activities	<u>676,566</u>
Net decrease in cash and cash equivalents	(1,263,728)
Cash and cash equivalents, beginning of year	<u>10,263,993</u>
Cash and cash equivalents, end of year	<u>\$ 9,000,265</u>
Composition of cash and cash equivalents at September 30, 2018:	
Cash - unrestricted	\$ 7,817,942
Cash and cash equivalents - restricted	<u>1,182,323</u>
Total cash and cash equivalents	<u>\$ 9,000,265</u>

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

**THE WATER WORKS BOARD OF THE CITY OF AUBURN
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2018**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED BY OPERATING ACTIVITIES (A)**

Operating income (loss)	\$ 1,485,503
Add:	
Depreciation expense	2,177,000
Decrease in inventory	44,306
Decrease in deferred inflows pension related	26,431
Increase in accounts payable, City of Auburn	272,862
Increase in accrued expenses	3,282
Increase in payroll taxes payable	892
Increase in accumulated annual leave	2,238
Increase in postemployment benefits payable	5,363
Increase in customer water deposits	4,747
Increase in deferred inflows OPEB related	3,943
Increase in deferred inflows pension related	468,668
Deduct:	
Increase in accounts receivable, net	(226,810)
Increase in accounts receivable, City of Auburn	(2,923)
Increase in other current assets	(10,792)
Increase in interest receivable	(1,905)
Increase in deferred outflows OPEB related	(3,753)
Decrease in accounts payable	(901,689)
Decrease in retainage payable	(389,350)
Decrease in net pension liability	<u>(620,667)</u>
Net cash provided by operations (A)	<u>\$ 2,337,346</u>
Noncash transactions:	
Estimated cost of water lines installed by and contributed to the Water Works Board by developers	<u>\$ 600,165</u>

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



NOTES TO THE FINANCIAL STATEMENTS

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Water Works Board of the City of Auburn (Board or Water Board) is an independent, municipal, nonprofit corporation legally separate from the city government of the City of Auburn. The Board is charged with the responsibility of ownership and operation of a water works plant and distribution system for the benefit of the citizens of the municipality. The Board operates under municipal authority extended to it by the municipal government of the City of Auburn and is considered a component unit of the City of Auburn for financial reporting purposes.

The Water Board has a management agreement with the City of Auburn whereby the City administers day-to-day financial, accounting, collection, purchasing and engineering management services under the policy direction of The Water Board.

Measurement focus and basis of accounting - The accounts of the Board are organized and operated as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Board is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

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 ongoing operations. The principal operating revenues for the Water Board are charges to customers for water service. Operating expenses include 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.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and cash equivalents - Cash and cash equivalents include demand deposits as well as all highly liquid investments with a maturity of three months or less when purchased.

Investments - Investments in money market investments are valued at cost, which equals fair value. Investments in U.S. Treasury Bonds are reported at fair value. State statutes authorize the Board to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; U.S. dollar denominated deposit accounts and certificates of deposit; pre-funded public obligations as defined by state law; and interests in any common trust fund or other collective investment bank, trust company or savings and loan association.

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets - Capital assets are defined by the Board 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 actual cost (or estimated historical cost if actual cost is not available) if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Utility system and plant	25-50
Buildings and improvements	10-50
Office equipment	5-10
Mobile equipment	3-10
Tools	3-5

Accounts receivable - Accounts receivable are reported net of an allowance for doubtful accounts. The amount of the allowance is equal to accounts receivable in excess of 90 days past due. See Note 5.

Inventory - Inventory is valued at cost and consists of expendable supplies held for future consumption or capitalization.

Restricted assets and liabilities - Funds set aside under bond indentures for the payment of bond debt service or construction costs are classified as restricted assets since their use is limited by the applicable bond indenture. Expenditures to be paid with these assets are classified as current liabilities payable from restricted assets.

Bond issue costs - Bond issue costs are expensed as incurred.

Accumulated annual leave and sick leave - The Board allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated vacation hours at current wage rates. Upon retirement with at least ten years of service, an employee can receive payment of one-half of accumulated sick leave hours if hired before April 5, 1994. All employees may elect to apply unused accumulated sick leave hours toward their retirement. See Note 8.

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Risk management - For risks of loss related to: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and general liability torts, the Board has purchased commercial insurance from independent third parties. There were only minimal changes to insurance coverage from coverage in the prior year, and no settlements have exceeded insurance coverage in the past three fiscal years.

The Water Board employees are covered under the City's health insurance plan. Premiums are charged to the Board and are calculated using trends in actual claims experience, along with overall program costs, including third party administration and reinsurance. Employees may also be charged for additional benefits through supplemental insurance programs. Medical claims exceeding \$85,000 per member individual, per year, are covered through a private insurance carrier after satisfaction of a \$25,000 aggregating specific deductible.

To insure against risk of loss relating to workmen's compensation claims, the Board has purchased workmen's compensation insurance from independent third parties.

Net position - The financial statements utilize a net position presentation. Net Position is categorized as net investment in capital assets, restricted and unrestricted.

- Net investment in capital assets - represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net position - represents liquid assets which have third party (statutory, bond covenant or granting agency) limitations on their use. The Board has restricted assets for retirement of bonds or payment of construction costs as described in Note 4. The Board would typically use restricted net position first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.
- Unrestricted net position - represents unrestricted liquid assets. While management may have categorized and segmented portions for various purposes, the Board has the unrestricted authority to revisit or alter these managerial decisions.

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.

Reporting - Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the Board's financial statements to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities. The Board has elected not to follow subsequent private sector guidance.

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Pensions - The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. See Note 9.

Recently implemented accounting pronouncements - GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended.

GASB Statement No. 85, *2017 Omnibus*, addresses a variety of topics including the presentation of payroll-related measures in required supplementary information for purposes of reporting by employers that provide OPEB. This statement enhances consistency in the application of accounting and financial reporting requirements and improves usefulness of information for users of these financial statements.

NOTE 2. DEPOSITS AND INVESTMENTS

As of September 30, 2018, all deposits of the Water Board are held by a certified qualified public depository under the SAFE program and, as such, are deemed fully insured.

NOTE 3. ACCESS FEES

Access fees are assessed to owners and/or developers and maintained in a capital fund account to be spent for system capacity improvement projects. The amounts collected are reported as nonoperating revenue. The unspent amount at September 30, 2018, was \$1,182,323.

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4. RESTRICTED CASH AND INVESTMENTS

At September 30, 2018, the Water Board's restricted cash, cash equivalents and investments were comprised of the following:

Cash (access fee account)	\$ 926,679
Pooled investments with City of Auburn	255,644
Bank of New York Mellon U.S. Treasury	
Securities Money Market Fund	2,606,798
Total restricted cash and investments	<u>\$ 3,789,121</u>

The Bank of New York Mellon U.S. Treasury Securities Money Market Fund listed above is an open-end mutual fund comprised of U.S. Treasury securities totaling \$2,606,798. The fair value of the units in the fund equals the carrying value.

Restricted investments are held by a trustee and are restricted by the terms of the 2010 and 2015 bond indentures until retirement of the bonds.

Interest Rate Risk - The investment policy of the Board does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

Water	\$ 1,806,832
Miscellaneous trade	6,576
Total accounts receivable	1,813,408
Less allowance for doubtful accounts	(86,001)
Accounts receivable (net)	<u>\$ 1,727,407</u>

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance 10/01/17	Transfers/ Additions	Transfers/ Deductions	Balance 09/30/18
Capital assets, nondepreciable:				
Land and land clearing	\$ 1,338,503	\$ 11,007	(19,950,395)	\$ 1,349,510
Construction in progress	<u>17,054,850</u>	<u>3,440,833</u>	<u>(19,950,395)</u>	<u>545,288</u>
Total capital assets, nondepreciable	<u>18,393,353</u>	<u>3,451,840</u>	<u>(19,950,395)</u>	<u>1,894,798</u>
Capital assets, depreciable:				
Utility system and plant	76,618,980	20,208,360	(271,886)	96,555,454
Buildings and improvements	6,850,626	294,181	-	7,144,807
Office equipment	686,415	62,620	-	749,035
Mobile equipment	1,535,236	183,557	(76,031)	1,642,762
Tools	<u>412,425</u>	<u>7,317</u>	<u>-</u>	<u>419,742</u>
Total capital assets, depreciable	<u>86,103,682</u>	<u>20,756,035</u>	<u>(347,917)</u>	<u>106,511,800</u>
Less accumulated depreciation for:				
Utility system and plant	(25,988,873)	(1,637,992)	271,886	(27,354,979)
Buildings and improvements	(2,760,411)	(274,298)	-	(3,034,709)
Office equipment	(494,666)	(56,843)	-	(551,509)
Mobile equipment	(793,236)	(178,322)	76,031	(895,527)
Tools	<u>(326,901)</u>	<u>(29,545)</u>	<u>-</u>	<u>(356,446)</u>
Total accumulated depreciation	<u>(30,364,087)</u>	<u>(2,177,000)</u>	<u>347,917</u>	<u>(32,193,170)</u>
Total capital assets, depreciable	<u>55,739,595</u>	<u>18,579,035</u>	<u>-</u>	<u>74,318,630</u>
Capital assets, net	<u>\$ 74,132,948</u>	<u>\$ 22,030,875</u>	<u>\$ (19,950,395)</u>	<u>\$ 76,213,428</u>

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7. CAPITALIZED INTEREST

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. Standards also require the capitalization of interest even if no specific borrowing is made to finance a given construction activity. If the Board has unpaid outstanding debt, but chooses to use existing resources to fund new construction rather than to pay off that debt, it is considered to be effectively “recycling” the borrowing and interest must be capitalized.

Interest costs capitalized during the year were as follows:

Total interest costs incurred	\$ 1,402,616
Less capitalized interest	<u>(680,805)</u>
Interest expense	<u>\$ 721,811</u>

NOTE 8. LONG-TERM DEBT

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Balance 09/30/17	Additions	Reductions	Balance 09/30/18	Due Within One Year
Business-type activities:					
Bonds payable:					
Bonds payable-2010 issue	\$ 16,750,000	\$ -	\$ (810,000)	\$ 15,940,000	\$ 850,000
Bonds payable-2015 issue	16,635,000	-	(55,000)	16,580,000	60,000
Premium on bonds	<u>2,103,382</u>	<u>-</u>	<u>(110,677)</u>	<u>1,992,705</u>	<u>-</u>
	35,488,382	-	(975,677)	34,512,705	910,000
Accumulated leave	58,391	3,409	(1,171)	60,629	-
Other postemployment					
benefits liability	39,820	9,592	-	49,412	-
Net pension liability	<u>770,235</u>	<u>-</u>	<u>(620,667)</u>	<u>149,568</u>	<u>-</u>
	868,446	13,001	(621,838)	259,609	-
Business-type					
activity long-term					
liabilities	<u>\$ 36,356,828</u>	<u>\$ 13,001</u>	<u>\$ (1,597,515)</u>	<u>\$ 34,772,314</u>	<u>\$ 910,000</u>

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8. LONG-TERM DEBT - CONTINUED

Bonds payable at September 30, 2018, are comprised of an original bond issue of \$21,595,000 dated June 1, 2010 and an original bond issue of \$16,695,000 dated November 24, 2015. The 2010 bond proceeds were used to call the 2001 and 2002 series bonds dated July 1, 2001 and August 1, 2002, respectively, and to fund various capital projects. The 2010 bonds were issued at an average interest rate of 4.35%. The stated maturity dates of the 2010 bonds are September 1 beginning in 2011 and continuing through 2032. The 2015 bond proceeds were used to fund the Lake Ogletree Spillway project. The 2015 bonds were issued at an average interest rate of 4.68%. The stated maturity dates of the 2015 bonds are September 1 beginning in 2017 and continuing through 2040.

Bonds payable of the Water Board of the City of Auburn at September 30, 2018, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2018	Year of Final Principal Maturity
Business type activities						
Bonds payable:						
Capital improvement bonds, Dated 06/01/10	3.0% to 5.0%	3/1-9/1	Revenues	\$ 21,595,000	\$ 15,940,000	2032
Capital improvement bonds, Dated 11/24/15	3.0% to 5.0%	3/1-9/1	Revenues	\$ 16,695,000	\$ 16,580,000	2040

The following schedule shows debt service to maturity for bonds payable of the Water Board of the City of Auburn at September 30, 2018:

Year Ending September 30	Principal	Interest	Total
2019	\$ 910,000	\$ 1,475,412	\$ 2,385,412
2020	950,000	1,432,013	2,382,013
2021	995,000	1,386,613	2,381,613
2022	1,030,000	1,354,725	2,384,725
2023	1,060,000	1,321,738	2,381,738
2024-2028	6,040,000	5,879,675	11,919,675
2029-2033	7,580,000	4,337,275	11,917,275
2034-2038	9,495,000	2,417,200	11,912,200
2039-2040	4,460,000	310,800	4,770,800
Total	\$ 32,520,000	\$ 19,915,451	\$ 52,435,451

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8. LONG-TERM DEBT - CONTINUED

The Water Revenue Bonds are collateralized by a pledge of net system revenues derived, and to be derived from, the operation of the Board's water system.

The Board is also required to maintain such rates and charges for the water service and other services supplied from the system, and make collections from the users thereof in such a manner as shall produce revenues sufficient at all times (i) to provide for payment of all operating expenses, (ii) to produce annual net income of not less than 110% of the then applicable maximum annual debt service requirement and, (iii) to make all monthly payments provided herein to be made into each of the special funds. These coverage requirements have been met by the Board for the year ended September 30, 2018.

NOTE 9. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan - Plan description. The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLAN - CONTINUED

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 88,517 participants. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active Members	55,941
Post-DROP participants who are still in active service	<u>168</u>
Total	<u><u>88,517</u></u>

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLAN - CONTINUED

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the preretirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2018, the Board's active employee contribution rate was 3.00% of covered employee payroll, and the Board's average contribution rate to fund the normal and accrued liability costs was 4.37% of pensionable payroll.

The Board's contractually required contribution rate for the year ended September 30, 2018 was 8.35% of pensionable pay for Tier 1 employees, and 4.94% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were \$103,212 for the year ended September 30, 2018.

Net Pension Liability - The Board's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

THE WATER WORKS BOARD OF THE CITY OF AUBURN
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLAN – CONTINUED

	<u>Expected</u>	<u>Actual</u>
(a) Total Pension Liability as of September 30, 2016	\$ 3,541,279	\$ 3,104,204
(b) Discount Rate	7.75%	7.75%
(c) Entry Age Normal Cost for October 1, 2016 - September 30, 2017	99,641	99,641
(d) Transfers Among Employers	-	6,048
(e) Actual Benefit Payments and Refunds for October 1, 2016 - September 30, 2017	(116,494)	(116,494)
(f) Total Pension Liability as of September 30, 2017 =[(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 3,794,361</u>	<u>\$ 3,329,460</u>

Actuarial assumptions. The total pension liability as of September 30, 2017 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected salary increases	3.25% - 5.00%
Investment rate of return*	7.75%
* Net of pension plan investment expense, including inflation	

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLAN - CONTINUED

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
International Developed Mkt Stocks	12.00%	9.50%
International Emerging Mkt Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	<u>3.00%</u>	<u>1.50%</u>
	<u><u>100.00%</u></u>	

* Includes assumed rate of inflation of 2.50%.

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLAN - CONTINUED

Discount rate. The discount rate used to measure the total pension liability was the long term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. 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.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/2016	\$ 3,541,279	\$ 2,771,044	\$ 770,235
Changes for the year:			
Service cost	99,641	-	99,641
Interest	269,935	-	269,935
Changes of assumptions	-	-	-
Differences between expected and actual experience	(470,949)	-	(470,949)
Contributions, employer	-	95,617	(95,617)
Contributions, employee	-	65,618	(65,618)
Net investment income	-	358,059	(358,059)
Benefit payments, including refunds of employee contributions	(116,494)	(116,494)	-
Transfers among employers	6,048	6,048	-
Net changes	<u>(211,819)</u>	<u>408,848</u>	<u>(620,667)</u>
Balances at 9/30/2017	<u>\$ 3,329,460</u>	<u>\$ 3,179,892</u>	<u>\$ 149,568</u>

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLAN - CONTINUED

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the Board's net pension liability calculated using the discount rate of 7.75%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	Current		
	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
	\$ 577,443	\$ 149,568	\$ (210,841)
Board's net pension liability (asset)			

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the Board recognized pension income of \$125,568. At September 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 602,635
Changes of assumptions	38,142	-
Net difference between projected and actual earnings on plan investments	-	95,107
Employer contributions subsequent to the measurement date	98,355	-
Total	<u>\$ 136,497</u>	<u>\$ 697,742</u>

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLAN - CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2019	\$	(114,445)
2020		(94,961)
2021		(130,527)
2022		(119,298)
2023		(87,340)
Thereafter		<u>(113,029)</u>
	\$	<u><u>(659,600)</u></u>

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Water Works Board of the City of Auburn participates in The City of Auburn's General Employees' OPEB Plan, a single-employer, defined benefit plan. All descriptions, policies, costs, methods and assumptions described below apply to the Water Board and its employees.

General Information about the OPEB Plan

Plan description. The City of Auburn's General Employees' OPEB Plan provides OPEB for all permanent full-time general and public safety employees of the City. The Plan is a single-employer, defined benefit OPEB plan administered by City personnel. Benefits and contribution requirements (both employee and employer) for the General Employees OPEB Plan are established by City ordinance and can only be amended by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided. The City provides medical benefits to employees upon retirement according to the retirement eligibility provisions as follows: 25 years of service at any age; or, age 60 and 10 years of service for employees who began eligible employment prior to January 1, 2013. Employees who first began eligible employment on or after January 1, 2013 must be age 62 with 10 years of service to become eligible for retiree health benefits. Surviving spouses of retirees are eligible for COBRA for 36 months. The retirees pay 100% of the premium costs and specific deductibles. Employees do not contribute to their postemployment benefits costs until they retire and begin receiving those benefits. The City pays for all costs in excess of premiums and deductibles.

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

Employees covered by benefit terms. At September 30, 2018, the following employees were covered by the benefit terms:

	Total City	Water Board
Inactive employees or beneficiaries currently receiving benefit payments	36	3
Active plan members	<u>585</u>	<u>21</u>
Total	<u><u>621</u></u>	<u><u>24</u></u>

Total OPEB Liability

The Board's total OPEB liability of \$148,104 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	3.125% per year
Salary increases:	3.375% to 5.125%, including inflation
Employer funding policy:	Pay-as-you-go cash basis
Healthcare cost trend rates:	8.0% for 2019, decreasing 0.5% per year to an ultimate rate of 5.0% for 2025 and later years
Cost method:	Entry age normal level percent of salary method

The discount rate was based on a yield for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) tax-exempt, high quality 20-year municipal bonds. The actual discount rate used in the September 30, 2018 valuation was 4.15%.

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

Mortality rates were based on the RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 (RPH-2018 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement backed out, projected to 2018 using MP-2018 improvement.)

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2016 to September 30, 2017.

Changes in the Total OPEB Liability

Total OPEB Liability 9/30/2017	<u>\$ 142,741</u>
Changes for the year:	
Service cost	4,309
Interest	5,283
Changes in assumptions	(4,600)
Differences between expected and actual experience	4,378
Benefit payments	<u>(4,008)</u>
Net change in total OPEB liability	<u>5,363</u>
Total OPEB Liability 9/30/2018	<u>\$ 148,104</u>
Plan fiduciary net position 9/30/2017	<u>\$ _____ -</u>
Changes for the year:	
Contributions - employer	4,008
Benefit payments	<u>(4,008)</u>
Net change in plan fiduciary net position	<u>_____ -</u>
Plan fiduciary net position 09/30/2018	<u>\$ _____ -</u>
Net OPEB Liability 9/30/2018	<u>\$ 148,104</u>
Plan fiduciary net position as of % of total OPEB liability	0.0%
Covered employee payroll	1,129,589
Net OPEB liability as % of covered payroll	13.11%

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.15 percent) or 1-percentage-point higher (5.15 percent) than the current discount rate:

	Current		
	1% Decrease (3.15%)	Discount Rate (4.15%)	1% Increase (5.15%)
Board's total OPEB liability	<u>\$ 164,387</u>	<u>\$ 148,104</u>	<u>\$ 134,184</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (9.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	Healthcare		
	1% Decrease (7.00% decreasing to 4.00%)	Cost Trend Rates (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
Board's total OPEB liability	<u>\$ 132,072</u>	<u>\$ 148,104</u>	<u>\$ 167,465</u>

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the Board recognized OPEB expense of \$5,553. At September 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,753	\$ -
Changes of assumptions or other inputs	-	3,943
Total	\$ 3,753	\$ 3,943

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:

2019	\$ (32)
2020	(32)
2021	(32)
2022	(32)
2023	(31)
Thereafter	(31)
	<hr/>
	\$ (190)

NOTE 11. COMMITMENTS

The Water Board has commitments for construction projects in connection with system improvements totaling \$880,480 as of September 30, 2018.

The Board entered into an agreement with the City of Opelika Water Board effective on June 1, 1983, for the right to purchase water from Opelika. The agreement had two commitments. First, the agreement provided that the Auburn Board would pay its proportionate share of the debt service on Opelika's Series 1983 bonds, plus its share of the bond issue costs, and an initial capital contribution. Auburn has fulfilled all of these initial commitments. Second, Auburn would pay Opelika for the water it purchased based on its share of the production and transportation costs in relation to total production.

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 11. COMMITMENTS - CONTINUED

In return for its payment of these amounts, Auburn's Board receives the right to purchase not greater than 3.6 million gallons of water per day. It is a 'take-or-pay' agreement with the first 138 million gallons annual amount set as a required minimum. The original agreement was set to expire in March of 2013; however, the Board approved the 20 year renewal (at no additional cost as set forth in the agreement) in October of 2012.

The Water Board also entered into an agreement in May 2011 to purchase water from Sandy Springs Farm II, LLC. The agreement included a land lease and permission to build and operate a well on property located on the farm. Construction was completed and Well No 3 was placed in service May of 2012. The agreement includes a minimum annual purchase of 210,240,000 gallons per year at an initial rate of \$.50 per 1,000 gallons (\$105,120 per year), payable in monthly installments. This rate is subject to increase based on the Consumer Price Index and increased to \$.56 per 1,000 gallons (\$117,734) for the year ended September 30, 2018. The term of the agreement is twenty years, with six five-year extension options. Total water pumped in the 2018 fiscal year was 409,036 thousand gallons with a total annual payment of \$229,060.

The Water Board entered into an agreement in August 2018 to purchase land from Auburn H2O, LLC to construct a water supply well. Also in August 2018, The Water Board entered into an agreement to purchase water from Auburn H2O, LLC once the well and transmission main is complete. The agreement includes a minimum annual purchase of 438,000,000 gallons per year at an initial rate of \$.40 per 1,000 gallons (\$170,200 per year), payable in monthly installments. This rate is subject to increase based on the Consumer Price Index and is adjusted each fiscal year. The term of the agreement is twenty five years, with eleven five-year extension options.

In October of 2003 the Water Board entered into a Safe Harbor Agreement along with Martin Marietta Materials, Inc., The City of Auburn, the State of Alabama, the U.S. Fish and Wildlife Service and other land owners along Chewacla Creek to provide for the protection of certain endangered species. The agreement lays out minimal water discharge, maintenance, testing and reporting along the Chewacla Creek stream bank and bed. The requirements are pursuant to the Safe Harbor Policy for the "enrolled properties" which include the Martin Marietta Quarry, where the Water Board has agreed upon rights to pump water directly from the quarry basin to Lake Ogletree. The Safe Harbor agreement is for 30 years and subject to changes as required by federal laws and the health of the aquatic community.

NOTE 12. SUBSEQUENT EVENTS

Subsequent to September 30, 2018, the Board approved construction contracts totaling approximately \$510,000 and equipment purchases totaling approximately \$140,000 and professional services contracts totaling approximately \$45,000.

Management has evaluated subsequent events through March 12, 2019, the date these financial statements were available to be issued.

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 13. PRIOR PERIOD ADJUSTMENT

The Water Board adopted GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the current year. As a result, beginning net position was reduced by \$102,921 to \$50,412,111 in order to adjust the Board's net OPEB liability at the beginning of fiscal year 2018.

REQUIRED SUPPLEMENTARY INFORMATION

THE WATER WORKS BOARD OF THE CITY OF AUBURN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
SEPTEMBER 30, 2018

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years in which information is available.

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 99,641	\$ 98,797	\$ 96,462	\$ 120,498
Interest	269,935	264,499	272,721	254,155
Differences between expected and actual experience	(470,949)	(13,187)	(291,277)	-
Changes of assumptions	-	50,856	-	-
Benefit payments, including refunds of employee contributions	(116,494)	(215,880)	(145,480)	(139,669)
Changes of benefit terms	6,048	(57,986)	-	-
Net change in total pension liability	(211,819)	127,099	(67,574)	234,984
Total pension liability - beginning	<u>3,541,279</u>	<u>3,414,180</u>	<u>3,481,754</u>	<u>3,246,770</u>
Total pension liability - ending (a)	<u>\$ 3,329,460</u>	<u>\$ 3,541,279</u>	<u>\$ 3,414,180</u>	<u>\$ 3,481,754</u>
Plan fiduciary net position				
Contributions - employer	\$ 95,617	\$ 88,609	\$ 72,750	\$ 74,121
Contributions - member	65,618	61,760	55,865	55,397
Net investment income	358,059	261,830	30,966	292,386
Benefit payments, including refunds of employee contributions	(116,494)	(215,880)	(145,480)	(139,669)
Transfers among employers	6,048	(57,986)	-	(211,095)
Net change in plan fiduciary net position	408,848	138,333	14,101	71,140
Plan net position - beginning	<u>2,771,044</u>	<u>2,632,711</u>	<u>2,618,610</u>	<u>2,547,470</u>
Plan net position - ending (b)	<u>\$ 3,179,892</u>	<u>\$ 2,771,044</u>	<u>\$ 2,632,711</u>	<u>\$ 2,618,610</u>
Net pension liability - ending (a) - (b)	\$ 149,568	\$ 770,235	\$ 781,469	\$ 863,144
Plan fiduciary net position as a percentage of the total pension liability	95.51%	78.25%	77.11%	75.21%
Covered payroll*	\$ 2,210,785	\$ 2,014,542	\$ 1,833,893	\$ 1,825,037
Net pension liability as a percentage of covered payroll	6.77%	38.23%	42.61%	47.29%

*Employer's covered payroll during the measurement period is the total covered payroll. For FY2018 the measurement period is October 1, 2016 to September 30, 2017. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for FY2017.

See independent auditor's report and notes to required supplementary information.

THE WATER WORKS BOARD OF THE CITY OF AUBURN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2018

	2018	2017	2016	2015
Actuarially determined contribution *	<u>\$ 103,212</u>	<u>\$ 100,331</u>	<u>\$ 89,550</u>	<u>\$ 76,623</u>
Contributions in relation to the actuarially determined contribution *	<u>103,212</u>	<u>100,331</u>	<u>89,550</u>	<u>76,623</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	\$ 2,251,929	\$ 2,210,785	\$ 2,014,542	\$ 1,833,893
Contributions as a percentage of covered payroll	4.58%	4.54%	4.45%	4.18%

* The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

**Employer's covered payroll for FY2018 is the total covered payroll for the 12 month period of the underlying financial statement.

	2018
Total OPEB Liability	
Service cost	\$ 4,309
Interest	5,283
Changes of assumptions	(4,600)
Differences between expected and actual experience	4,379
Benefit Payments	(4,008)
Net change in total OPEB liability	5,363
Total OPEB liability - beginning	142,741
Total OPEB liability - ending	\$ 148,104
 Covered employee payroll*	\$ 1,129,589
 Total OPEB liability as a percentage of covered payroll	13.11%

See independent auditor's report and notes to required supplementary information.

THE WATER WORKS BOARD OF THE CITY OF AUBURN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015, actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2017 to September 30, 2018:

Actuarial cost method:	Entry Age
Amortization method:	Level percent closed
Remaining amortization period:	18.4 years
Asset valuation method:	Five year smoothed market
Inflation:	3.00%
Salary increases:	3.75-7.25%, including inflation
Investment rate of return:	8.00%, net of pension plan investment expense, including inflation

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

Actuarially Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018
4.15%



OTHER OPERATING INFORMATION

THE WATER WORKS BOARD OF THE CITY OF AUBURN
SCHEDULE OF OPERATING EXPENSES
SEPTEMBER 30, 2018

Water treatment and pumping expense

Personal services	
Salaries and wages	\$ 492,611
Employee benefits	<u>110,341</u>
Total personal services	<u>602,952</u>
Contractual services	
Utilities	507,939
Pumping and purification	54,172
Buildings and grounds	9,828
Sewer services	71,250
Travel and training	4,260
Uniform maintenance	2,998
Dams, lakes and spillways	6,444
Source supply DL&S	24,406
Miscellaneous contractual services	<u>57,244</u>
Total contractual services	<u>738,541</u>
Commodities	
Water purchased	1,232,395
Chemical supplies	240,877
Water sample analysis supplies	240
Minor tools and equipment	73,979
Fuel	2,675
Safety clothing	1,130
Miscellaneous commodities	5,392
Communications equipment	<u>2,299</u>
Total commodities	<u>1,558,987</u>
Total water treatment and pumping expense	<u>2,900,480</u>

Distribution expense

Personal services	
Salaries and wages	763,662
Less capitalized costs	(15,131)
Employee benefits	<u>169,874</u>
Total personal services	<u>918,405</u>

(Continued next page)

THE WATER WORKS BOARD OF THE CITY OF AUBURN
SCHEDULE OF OPERATING EXPENSES
SEPTEMBER 30, 2018

Contractual services	
Utilities	15,094
Travel and training	10,733
Uniform maintenance	4,214
Miscellaneous contractual services	<u>43,696</u>
Total contractual services	<u>73,737</u>
Commodities	
Mains and services supplies	97,498
Fuel	32,715
Vehicle parts	13,382
Fire hydrants	9,700
Communications equipment	284
Heavy machinery parts	27,426
Minor tools and equipment	26,606
Miscellaneous commodities	<u>41,492</u>
Total commodities	<u>249,103</u>
Total distribution expense	<u>1,241,245</u>
Meter reading expense	
Personal services	
Salaries and wages	238,576
Employee benefits	<u>57,775</u>
Total personal services	<u>296,351</u>
Contractual services	
Travel and training	825
Uniform maintenance	1,412
Utilities	3,220
Testing and repair of large meters	<u>1,750</u>
Total contractual services	<u>7,207</u>
Commodities	
Fuel	15,428
Meter parts	461,592
Miscellaneous commodities	<u>7,194</u>
Total commodities	<u>484,214</u>
Total meter reading expense	<u>787,772</u>

(Continued next page)

THE WATER WORKS BOARD OF THE CITY OF AUBURN
SCHEDULE OF OPERATING EXPENSES
SEPTEMBER 30, 2018

Utility billing office expense

Personal services	
Salaries and wages	494,402
Employee benefits	<u>131,767</u>
Total personal services	<u>626,169</u>
Contractual services	
Bank fees	332,715
Data processing professional services	186,388
Office equipment rental	3,598
Travel and training	9,134
Temporary employees	6,892
Utilities	1,159
Miscellaneous contractual services	<u>1,707</u>
Total contractual services	<u>541,593</u>
Commodities	
Printed supplies	1,131
Office and computer supplies	17,388
Miscellaneous commodities	<u>336</u>
Total commodities	<u>18,855</u>
Total utility billing office expense	<u>1,186,617</u>

Operations administration expense

Personal services	
Salaries and wages	308,669
Employee benefits	<u>65,892</u>
Total personal services	<u>374,561</u>
Contractual services	
Memberships and subscriptions	11,224
Travel and training	9,137
Utilities	3,814
Miscellaneous contractual services	<u>250</u>
Total contractual services	<u>24,425</u>
Commodities	
Fuel	1,087
Total commodities	<u>1,087</u>
Total operations administration expense	<u>400,073</u>

(Continued next page)

THE WATER WORKS BOARD OF THE CITY OF AUBURN
SCHEDULE OF OPERATING EXPENSES
SEPTEMBER 30, 2018

General operations expense

Personal services	
Contribution to City for salaries	263,014
Pension expense	<u>(125,568)</u>
Total personal services	<u>137,446</u>
Contractual services	
Building and ground contracts	71,056
Fiscal professional services	22,700
Legal professional services	19,394
Insurance	131,152
Postemployment benefits	5,553
Unclassified professional services	235,082
Utilities	65,543
Miscellaneous contractual services	<u>26,630</u>
Total contractual services	<u>577,110</u>
Commodities	
Postage	4,586
Printed supplies	699
Miscellaneous commodities	<u>18,389</u>
Total commodities	<u>23,674</u>
Intergovernmental	
Tax equivalent to City	<u>315,037</u>
Total intergovernmental	<u>315,037</u>
 Total general operations expense	 <u>1,053,267</u>
 Total other operating expenses	 <u>\$ 7,569,454</u>

**THE WATER WORKS BOARD OF THE CITY OF AUBURN
FIVE YEAR SCHEDULE OF VARIOUS OPERATING DATA
FOR THE YEARS ENDED SEPTEMBER 30, 2018, 2017, 2016, 2015, 2014**

(Unaudited)

	2018	2017	2016	2015	2014
Operating revenues:					
Water sales	\$ 10,403,174	\$ 10,151,654	\$ 9,977,399	\$ 9,104,999	\$ 8,777,975
Fire protection fees	151,324	151,423	151,437	138,713	114,177
Consumer penalties	111,213	101,171	106,934	108,097	111,331
Initiation fees and service charges	87,193	83,069	88,199	88,335	88,417
Collection fees	188,150	182,820	142,250	172,850	233,083
Other operating revenue	290,903	278,153	284,651	292,377	248,964
Total operating revenues	<u>11,231,957</u>	<u>10,948,290</u>	<u>10,750,870</u>	<u>9,905,371</u>	<u>9,573,947</u>
Operating expenses:					
Water treatment and pumping expense	2,900,480	3,680,811	3,111,907	2,751,115	2,620,346
Distribution expense	1,241,245	1,248,912	1,043,283	1,004,424	1,017,529
Meter reading and utility billing office expense	1,974,389	1,866,206	1,738,835	1,539,509	1,418,986
Operations administration and general operations	1,453,340	1,067,921	1,032,059	1,301,474	1,192,686
Total operating expenses	<u>7,569,454</u>	<u>7,863,850</u>	<u>6,926,084</u>	<u>6,596,522</u>	<u>6,249,547</u>
Income before depreciation, amortization, nonoperating revenues (expenses) and capital contributions	\$ 3,662,503	\$ 3,084,440	\$ 3,824,786	\$ 3,308,849	\$ 3,324,400
Number of services at September 30 ⁽¹⁾	<u>23,683</u>	<u>23,202</u>	<u>22,752</u>	<u>22,356</u>	<u>22,008</u>
Operating revenues per service	\$ 474	\$ 472	\$ 473	\$ 443	\$ 435
Operating expenses per service	320	339	304	295	284
Income before depreciation, amortization, nonoperating revenues (expenses) and capital contributions per service	\$ 155	\$ 133	\$ 168	\$ 148	\$ 151
Million gallons water produced and purchased	<u>2,489.90</u>	<u>2,519.50</u>	<u>2,651.62</u>	<u>2,544.99</u>	<u>2,504.80</u>
Million gallons water sold	<u>2,215.68</u>	<u>2,353.41</u>	<u>2,428.28</u>	<u>2,262.04</u>	<u>2,203.68</u>

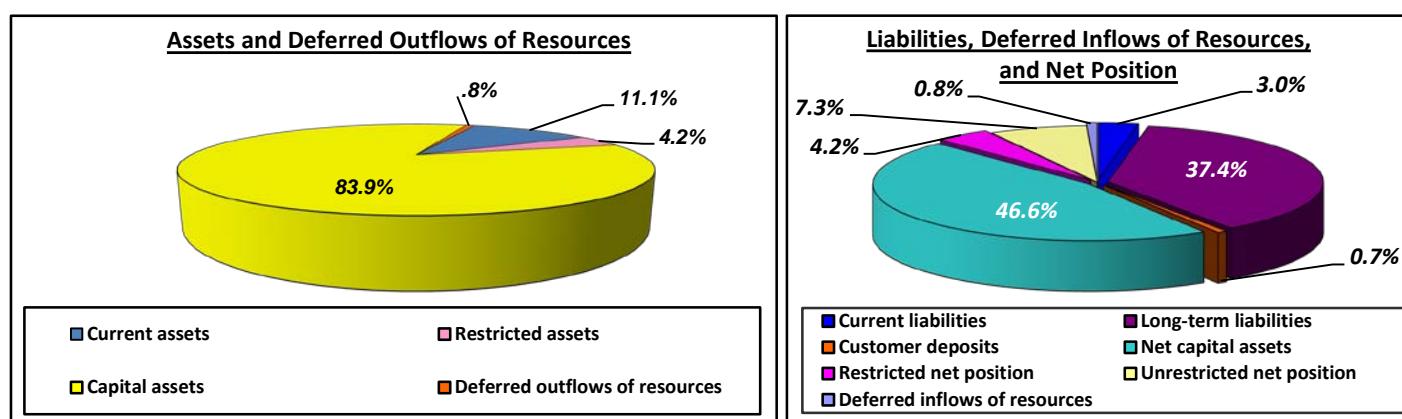
Notes: (1) The number of services includes active, new and vacant accounts.



APPENDICES

Appendix I
The Water Works Board of the City of Auburn
Comparative Statements of Net Position at September 30

	2018	2017	2018 > 2017
ASSETS			
Current assets			
Cash	\$ 7,817,942	\$ 6,490,318	\$ 1,327,624 20.5%
Accounts receivable, net	1,868,046	1,638,313	229,733 14.0%
Inventory	305,473	349,779	(44,306) -12.7%
Other current assets	65,329	54,537	10,792 19.8%
Total current assets	<u>10,056,790</u>	<u>8,532,947</u>	<u>1,523,843</u> 17.9%
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	1,182,323	3,773,675	(2,591,352) -68.7%
Investments	2,606,798	3,162,468	(555,670) -17.6%
Interest receivable	4,158	2,253	1,905 100.0%
Total restricted assets	<u>3,793,279</u>	<u>6,938,396</u>	<u>(3,145,117)</u> -45.3%
Capital assets	76,213,429	74,132,948	2,080,481 2.8%
Total noncurrent assets	<u>80,006,708</u>	<u>81,071,344</u>	<u>(1,064,636)</u> -1.3%
Total assets	<u>90,063,498</u>	<u>89,604,291</u>	<u>459,207</u> 0.5%
Deferred outflows of resources	777,611	966,558	(188,947) -19.5%
Total assets and deferred outflows of resources	<u>90,841,109</u>	<u>90,570,849</u>	<u>270,260</u> 0.3%
LIABILITIES			
Current liabilities			
Payable from current assets	1,681,426	2,306,078	(624,652) -27.1%
Payable from restricted assets	1,040,276	1,388,070	(347,794) -25.1%
Total current liabilities	<u>2,721,702</u>	<u>3,694,148</u>	<u>(972,446)</u>
Long-term liabilities	33,961,006	35,491,828	(1,530,822) -4.3%
Customer deposits	645,514	640,767	4,747 0.7%
Total liabilities	<u>37,328,222</u>	<u>39,826,743</u>	<u>(2,498,521)</u> -6.3%
Deferred inflows of resources	701,685	229,074	472,611 206.3%
Total liabilities and deferred inflows of resources	<u>38,029,907</u>	<u>40,055,817</u>	<u>(2,025,910)</u> -5.1%
NET POSITION			
Net investment in capital assets	42,338,085	39,448,196	2,889,889 7.3%
Restricted for			
Debt service	2,606,798	2,592,553	14,245 0.5%
Capital projects	1,182,323	3,090,950	(1,908,627) -61.7%
Unrestricted			
Total net position	<u>52,811,202</u>	<u>50,515,032</u>	<u>2,296,170</u> 4.5%

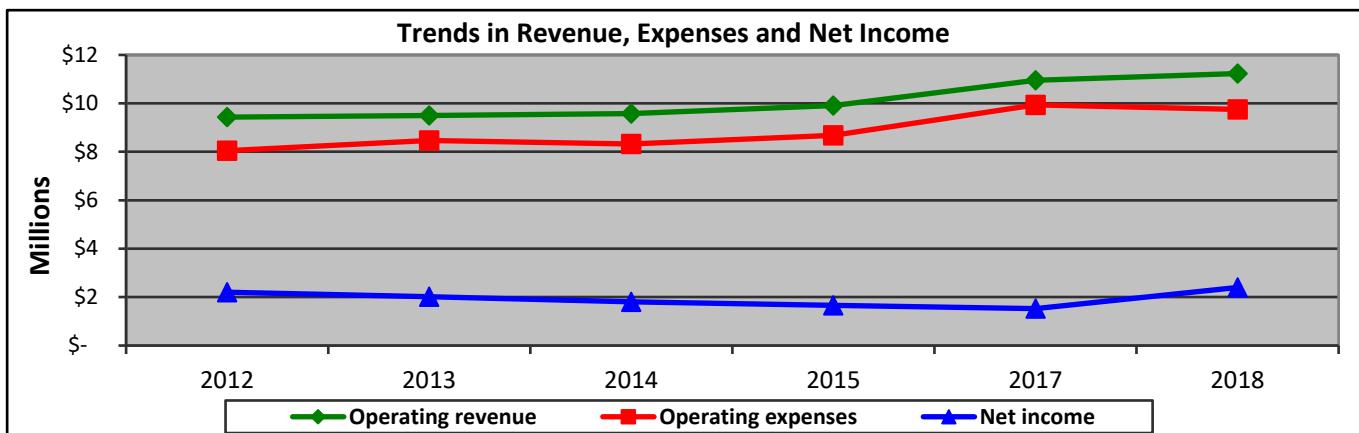


Appendix II

The Water Works Board of the City of Auburn

Comparative Operating Results for Fiscal Years Ending September 30

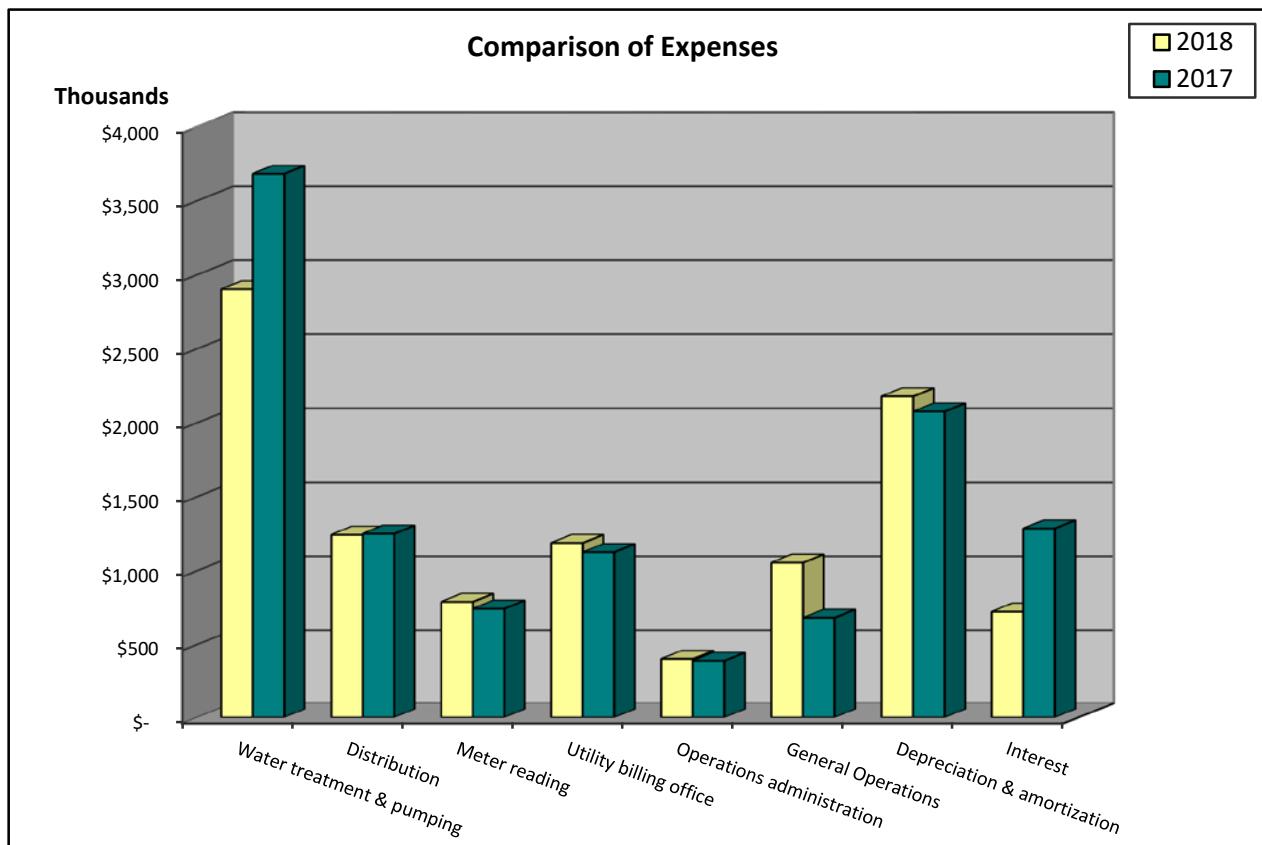
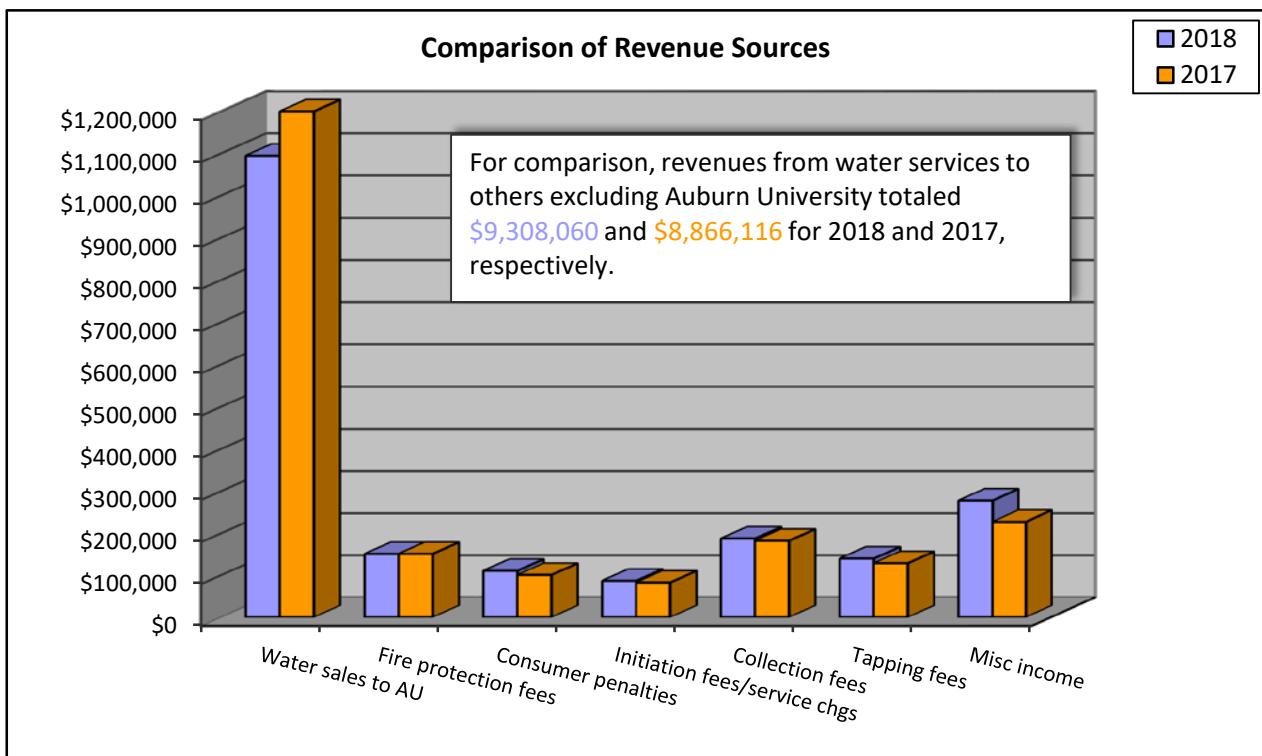
	2018	2017	2018 > 2017	
Operating revenues				
Water services to Auburn University	\$ 1,095,114	\$ 1,285,538	\$ (190,424)	-14.8%
Water services to others (excl AU)	9,308,060	8,866,116	441,944	5.0%
Total water services revenue	<u>10,403,174</u>	<u>10,151,654</u>	<u>251,520</u>	2.5%
Fire protection fees	151,324	151,423	(99)	-0.1%
Consumer penalties	111,213	101,171	10,042	9.9%
Initiation fees	83,844	79,529	4,315	5.4%
Service charges	3,349	3,540	(191)	-5.4%
Collection fees	188,150	182,820	5,330	2.9%
Tapping fees	140,362	129,170	11,192	8.7%
Stand-by electric power revenue	21,046	16,424	4,622	28.1%
Miscellaneous income	129,494	132,559	(3,065)	-2.3%
Total operating revenues	<u>11,231,957</u>	<u>10,948,290</u>	<u>283,667</u>	2.6%
Operating expenses				
Water treatment and pumping	2,900,480	3,680,811	(780,331)	-21.2%
Distribution	1,241,245	1,248,912	(7,667)	-0.6%
Meter reading	787,772	742,093	45,679	6.2%
Utility billing office	1,186,617	1,124,113	62,504	5.6%
Operations administration	400,073	386,967	13,106	3.4%
General operations	1,053,267	680,954	372,313	54.7%
Depreciation and amortization	2,177,000	2,074,958	102,042	4.9%
Total operating expenses	<u>9,746,454</u>	<u>9,938,808</u>	<u>(192,354)</u>	-1.9%
Operating income	1,485,503	1,009,482	476,021	47.2%
Non-operating revenues (expenses)	(765,284)	(1,375,945)	610,661	-44.4%
Capital contributions				
From City of Auburn	21,507	-	21,507	100.0%
Access fees	1,057,200	1,152,600	(95,400)	-8.3%
Developers	600,165	738,900	(138,735)	-18.8%
Net income (loss)	<u>2,399,091</u>	<u>1,525,037</u>	<u>874,054</u>	57.3%



Appendix III

The Water Works Board of the City of Auburn

Revenues and Expenses Comparisons





APPENDIX B
FORM OF APPROVING OPINION OF BOND COUNSEL

APPENDIX B

Form of Approving Opinion of Bond Counsel Series 2020-A Bonds

The Water Works Board of the
City of Auburn
Auburn, Alabama

Ladies and Gentlemen:

We have examined certified copies of proceedings showing the organization under the laws of Alabama of The Water Works Board of the City of Auburn (herein called the "Board"), together with copies of proceedings of the Board and other documents, certificates, agreements and instruments submitted to us pertaining to the issuance and validity of

\$16,860,000
THE WATER WORKS BOARD
OF THE CITY OF AUBURN
Water Revenue Bonds
Series 2020-A

(herein called the "Series 2020-A Bonds"). The opinions hereinafter expressed and the statements hereinafter made are based upon our examination of the aforesaid proceedings and documents, certificates, agreements and instruments, which show as follows:

(a) that the Board has executed and delivered to Regions Bank, as trustee (herein called the "Trustee"), a Trust Indenture dated the date of the Series 2020-A Bonds (herein called the "Indenture") under and pursuant to which the Board is issuing the Series 2020-A Bonds as limited obligations of the Board secured by a pledge of Net System Revenues (hereinafter defined);

(b) contemporaneously with the issuance of the Series 2020-A Bonds, the Board is issuing under and pursuant to the Indenture its \$18,475,000 initial principal amount Taxable Water Revenue Bonds, Series 2020-B (herein called the "Series 2020-B Bonds") as limited obligations of the Board secured by a pledge of Net System Revenues on parity with the Series 2020-A Bonds; and

(c) that in the Indenture the Board has reserved the right to issue bonds secured by a pledge of Net System Revenues on parity with the Series 2020-A Bonds and the Series 2020-B Bonds after first complying with certain conditions therefor set out in the Indenture (herein called "Additional Bonds").

We are of the opinion that the Series 2020-A Bonds are in due and legal form and evidence valid obligations of the Board payable solely out of the revenues derived from the operation of the water works plant and distribution system of the Board, as said system now exists and may hereafter be extended and improved (herein called the "System") remaining after payment of the expenses of operating and maintaining the System (herein called "Net System Revenues"); that the Series 2020-A Bonds have been issued under the Indenture and are secured, pro rata one with the other, with the Series 2020-B Bonds and any Additional Bonds that may hereafter be issued under the Indenture, and without preference of one bond over another, by a pledge of the Net System Revenues out of which they are payable and by the provisions of the Indenture; that the said pledge is a valid pledge of Net System Revenues, subject to any prior lawful charges thereon, and to the pledges made for any Additional Bonds; and that, under existing statutes, the interest on the Series 2020-A Bonds is exempt from Alabama income taxation.

We are further of the opinion that under the Internal Revenue Code of 1986, as amended (herein called the "Code"), as presently construed and administered, and assuming compliance by the Board with its covenants pertaining

to certain requirements of federal tax law that are set forth in the Indenture, the interest on the Series 2020-A Bonds will be excludable from gross income of the recipients thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Code, and the interest on the Series 2020-A Bonds will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the minimum tax imposed by Section 55 of the Code. We express no opinion with respect to the federal tax consequences to the recipients of interest on the Series 2020-A Bonds under any other provision of the Code not referred to above.

We have not examined the title of the Board to the System, but have, pursuant to instructions, assumed that the Board has good title to the System, subject to "Permitted Encumbrances," as that term is defined in the Indenture.

The Indenture provides that in the event the Board should default in any of the provisions thereof in the manner and for the time therein provided, the Trustee may declare all bonds then outstanding under the Indenture to be forthwith due and payable, whereupon the same shall immediately become due and payable and the Trustee shall be entitled to exercise the rights specified in the Indenture. The Indenture does not, however, constitute a mortgage on the System and is not subject to foreclosure.

The rights of the holders of the Series 2020-A Bonds and the enforceability of the Series 2020-A Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement of the Board relating to the Series 2020-A Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Series 2020-A Bonds other than as expressly set forth herein.

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

Yours very truly,

APPENDIX C

Form of Approving Opinion of Bond Counsel Series 2020-B Bonds

The Water Works Board of the
City of Auburn
Auburn, Alabama

Ladies and Gentlemen:

We have examined certified copies of proceedings showing the organization under the laws of Alabama of The Water Works Board of the City of Auburn (herein called the "Board"), together with copies of proceedings of the Board and other documents, certificates, agreements and instruments submitted to us pertaining to the issuance and validity of

\$18,475,000
THE WATER WORKS BOARD
OF THE CITY OF AUBURN
Taxable Water Revenue Bonds
Series 2020-B

(herein called the "Series 2020-B Bonds"). The opinions hereinafter expressed and the statements hereinafter made are based upon our examination of the aforesaid proceedings and documents, certificates, agreements and instruments, which show as follows:

(a) that the Board has executed and delivered to Regions Bank, as trustee (herein called the "Trustee"), a Trust Indenture dated the date of the Series 2020-B Bonds (herein called the "Indenture") under and pursuant to which the Board is issuing the Series 2020-B Bonds as limited obligations of the Board secured by a pledge of Net System Revenues (hereinafter defined);

(b) contemporaneously with the issuance of the Series 2020-B Bonds, the Board is issuing under and pursuant to the Indenture its \$16,860,000 initial principal amount Water Revenue Bonds, Series 2020-A (herein called the "Series 2020-A Bonds") as limited obligations of the Board secured by a pledge of Net System Revenues on parity with the Series 2020-A Bonds; and

(c) that in the Indenture the Board has reserved the right to issue bonds secured by a pledge of Net System Revenues on parity with the Series 2020-B Bonds and the Series 2020-A Bonds after first complying with certain conditions therefor set out in the Indenture (herein called "Additional Bonds").

We are of the opinion that the Series 2020-B Bonds are in due and legal form and evidence valid obligations of the Board payable solely out of the revenues derived from the operation of the water works plant and distribution system of the Board, as said system now exists and may hereafter be extended and improved (herein called the "System") remaining after payment of the expenses of operating and maintaining the System (herein called "Net System Revenues"); that the Series 2020-B Bonds have been issued under the Indenture and are secured, pro rata one with the other, with the Series 2020-A Bonds and any Additional Bonds that may hereafter be issued under the Indenture, and without preference of one bond over another, by a pledge of the Net System Revenues out of which they are payable and by the provisions of the Indenture; that the said pledge is a valid pledge of Net System Revenues, subject to any prior lawful charges thereon, and to the pledges made for any Additional Bonds; and that, under existing statutes, the interest on the Series 2020-B Bonds is exempt from Alabama income taxation.

We call to your attention that interest on the Series 2020-B Bonds will not be excludable from gross income of the recipients thereof for federal income tax purposes.

We have not examined the title of the Board to the System, but have, pursuant to instructions, assumed that the Board has good title to the System, subject to "Permitted Encumbrances," as that term is defined in the Indenture.

The Indenture provides that in the event the Board should default in any of the provisions thereof in the manner and for the time therein provided, the Trustee may declare all bonds then outstanding under the Indenture to be forthwith due and payable, whereupon the same shall immediately become due and payable and the Trustee shall be entitled to exercise the rights specified in the Indenture. The Indenture does not, however, constitute a mortgage on the System and is not subject to foreclosure.

The rights of the holders of the Series 2020-B Bonds and the enforceability of the Series 2020-B Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement of the Board relating to the Series 2020-B Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Series 2020-B Bonds other than as expressly set forth herein.

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

Yours very truly,

APPENDIX D
FORM OF INDENTURE

TRUST INDENTURE

between

THE WATER WORKS BOARD OF THE CITY OF AUBURN

and

**REGIONS BANK,
as Trustee**

Dated March 26, 2020

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TRUST INDENTURE between **THE WATER WORKS BOARD OF THE CITY OF AUBURN**, a public corporation under the laws of the State of Alabama, party of the first part, and **REGIONS BANK**, an Alabama banking corporation, party of the second part,

R E C I T A L S

The party of the first part makes the following recitals of facts as the basis for the undertaking following: it is a public corporation duly organized and existing under the laws of the State of Alabama; by proper corporate action, it has duly authorized the issuance of the Series 2020 Bonds hereinafter referred to; and to secure payment of the principal of and the interest (and premium, if any) on all the Bonds that may be issued hereunder it has by proper corporate action duly authorized the execution and delivery of this Indenture.

NOW, THEREFORE, THIS INDENTURE

W I T N E S S E T H:

For the aforesaid purpose and in consideration of the respective agreements herein contained, it is hereby agreed between the parties signatory hereto and the Holders of all Bonds issued hereunder (the Holders of said Bonds evidencing their consent hereto by their acceptance of the said Bonds and the parties signatory hereto evidencing their consent hereto by their execution hereof), each with each of the others, as follows (provided that in the performance of any of the agreements of the party of the first part herein contained, any obligation it may thereby incur for the payment of money shall not be a general debt on its part but shall be payable solely out of the Net System Revenues hereinafter referred to):

ARTICLE I

DEFINITIONS AND USE OF PHRASES

Section 1.1 Definitions. The following words and phrases and others evidently intended as the equivalent thereof shall, in the absence of clear implication herein otherwise, be given the following respective interpretations herein:

"**Additional Bonds**" means those authorized to be issued under the Indenture in Article VIII hereof.

"**Annual Debt Service Requirement**" means, as of any date of determination with respect to a Fiscal Year, the amount of principal and interest maturing or Maturity Amount due with respect to the then outstanding Bonds in such Fiscal Year less any amount payable or to be payable by the United States of America to the Board or the Trustee during such Fiscal Year as an interest subsidy or rebate with respect to interest on any outstanding Bonds or any Additional Bonds to be issued (but only to the extent that such subsidy or rebate has not been offset or terminated and there is no inquiry, pending or threatened, pursuant to which the United States of America, or any agency thereof, has challenged the right of the Board or the Trustee to receive such subsidy or rebate); provided, however,

(a) that the principal amount or Compounded Amount of any Bonds subject to a Mandatory Redemption Requirement during such Fiscal Year shall, for purposes of this definition, be considered as maturing in the Fiscal Year during which such redemption is required and not in the Fiscal Year in which their stated maturity occurs;

(b) that for purposes of the definition, Bonds that are deemed paid under the provisions of Section 16.1 hereof shall not be deemed to be outstanding;

(c) that, except as hereinafter provided in this subparagraph, the rate of interest on Variable Rate Bonds outstanding at the time of such calculation shall be deemed to be the lesser of (i) the rate of interest borne by such Variable Rate Bonds on any date selected by the Board that is within the 60-day period prior to the date of such calculation, or (ii) the average per annum rate of interest borne by such Variable Rate Bonds, during the twelve-month period immediately preceding any date selected by the Board that is within the 60-day period prior to the date of such calculation;

(d) that the rate of interest on Variable Rate Bonds then proposed to be issued shall be deemed to be the thirty-year

Revenue Bond Index most recently published in *The Bond Buyer* as of any date selected by the Board that is within the 60-day period prior to the date of such calculation; or, if the *Revenue Bond Index* is no longer available, the average long-term fixed rate of interest as of a date selected by the Board that is within the 60-day period prior to the date of such calculation on securities of similar quality and having similar maturities as certified by an Independent Financial Advisor;

(e) that the principal of Balloon Bonds shall be deemed to mature in annual installments over a period equal to the greater of (i) twenty years or (ii) the number of years (rounded to the next lowest number in the case of a part of a year) between the date with respect to which such calculation is made and the date of maturity of such Balloon Bonds, so as to result, in either case, in approximately equal payments of principal and interest (and if such Balloon Bonds are Variable Rate Bonds, the interest rate applicable thereto shall be calculated as provided in clauses (c) or (d) of this definition, whichever is applicable); and

(f) that any on-going fees related to Variable Rate Bonds (such as fees for a Credit Facility, fees for liquidity providers, remarketing agent's fees and the like) shall be included as interest on such Variable Rate Bonds.

"Authorized Representative" means the Chairman of the Directors, the Secretary of the Board, the Water Resource Management Director of the City, or such person or persons at any time designated in a written instrument signed by the said Chairman of the Directors or Secretary of the Board and delivered to the Trustee to serve as an Authorized Representative.

"Authorized Denominations" means the principal sum or Maturity Amount of \$5,000 or any integral multiple thereof.

"Balloon Bonds" means Current Interest Paying Bonds of a series, twenty-five percent (25%) or more of the original principal of which matures during any one Fiscal Year, if such maturing principal amount is not required to be amortized below such percentage by (a) a Mandatory Redemption Requirement prior to such Fiscal Year, or (b) deposits into the Bond Fund which are required to be applied to the payment of such principal. Tender Option Bonds shall not be treated as Balloon Bonds solely by virtue of the option on the part of the Holders thereof to have such Bonds purchased prior to their respective maturities.

"Base Rate" means that rate announced by Regions Bank, from time to time, as its prime rate and is one of several interest rate bases used by the Affiliated Bank. The Affiliated Bank lends at rates both above and below its

prime rate, and the Board acknowledges that the Affiliated Bank's prime rate is not represented or intended to be the lowest or most favorable rate of interest offered by the Affiliated Bank.

"Board" means the party of the first part hereto and, subject to the provisions of Section 11.8 hereof, includes its successors and assigns and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Bond Counsel" means Independent Counsel (or firm thereof) whose opinions respecting the legality or validity of securities issued by or on behalf of states or political subdivisions thereof are nationally recognized.

"Bond Fund" means the Bond Principal and Interest Fund created in Section 10.2 hereof.

"Bond Insurance Policy" means a policy of municipal bond insurance with respect to the payment of principal and interest on any series of Bonds.

"Bondholder" means the Holder of a Bond.

"Bonds" means those issued hereunder and, any provisions herein to the contrary notwithstanding, when used in connection with parity debt obligations issued under the provisions of Article VIII hereof, means and includes debt obligations in whatever form at such time as may be authorized under the applicable laws of the State of Alabama.

"Business Day" means any day other than a Saturday, a Sunday, a day on which the offices of the Trustee are closed or a day on which the wire transfer system of the Federal Reserve System is not operational.

"Callable Bonds" means those of the Bonds which under the terms thereof may be redeemed prior to their respective maturities.

"Capital Appreciation Bonds" means any of the Bonds that provide for the addition to the principal due thereon of all or any part of the accrued and unpaid interest thereon.

"Capital Improvements" means improvements, extensions and additions to the System that are properly chargeable to fixed capital account by generally accepted accounting practice and includes real estate (and easements and other interests therein) on, under or over which any such improvements, extensions or additions are, or are proposed to be, located.

"Chairman" means the Chairman of the Directors and, subject to the provisions of Section 11.8 hereof, includes the chief elected officer or the chief elected member of the governing body of any successors and assigns of the Board.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder by the United States Treasury Department.

"Compounded Amount" means, for any date with respect to a Capital Appreciation Bond, the amount set forth in the Supplemental Indenture pursuant to which such Capital Appreciation Bond is issued as the Compounded Amount for such Bond on such date.

"Credit Facility" means a Letter of Credit or Bond Insurance Policy guaranteeing or providing for (a) the payment of all or any portion of the principal of or the interest on any Bonds, (b) the payment of all or any portion of the Redemption Price of any Bonds or (c) the purchase price of any Bonds or a portion thereof.

"Credit Facility Fees" means the initial, annual, semi-annual or quarterly fees and expenses charged to the Board by a Credit Facility Obligor for issuing and maintaining in effect a Credit Facility; provided, however, that the term "Credit Facility Fees" shall not include any fees or expenses paid out of the proceeds from the issuance of any of the Bonds.

"Credit Facility Obligor" means the issuer of a Credit Facility.

"Credit Rating Agency" means (a) Moody's, (b) S&P, (c) Fitch, and (d) any successor to any of the foregoing by merger, consolidation or otherwise.

"Current Interest Paying Bonds" means those of the Bonds that are not Capital Appreciation Bonds.

"Directors" means the governing body of the Board and, subject to the provisions of Section 11.8 hereof, includes the governing body of any successors and assigns of the Board.

"Eligible Certificates" means interest bearing certificates of deposit having maturities of not more than 30 days that are issued by any bank or trust company organized under the laws of the United States of America or any state thereof the short-term obligations of which are rated "A-1" or better by S&P.

"Eligible Deposits" means time deposits fully insured by the Federal Deposit Insurance Corporation in any bank which is organized under the laws of the United States of America or any state thereof, which has combined capital, surplus and undivided profits of not less than \$5,000,000.

"Eligible Investments" means (a) Federal Securities and (b) to the extent to which they are at the time legal investments for the Board, any of the following:

- (i) Eligible Certificates;

(ii) Eligible Deposits;

(iii) direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A-" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

(iv) direct general short-term obligations of any state agency or subdivision or agency thereof described in (iii) above and rated "A-1+" by S&P and "MIG-1" by Moody's;

(v) commercial paper (having original maturities of not more than 270 days) of a corporation incorporated under the laws of any state of the United States of America, but if and only if, at the time of the acquisition thereof such commercial paper is rated "A-" or better by S&P and "Prime-1" by Moody's;

(vi) investments in a money market fund or other similar fund that is rated "AAm" or "AAm-G" (or better) by S&P, and, if rated by Moody's, rated Aaa, Aa1 or Aa2;

(vii) repurchase agreements with (1) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A-1" or "A3 or better by any two of S&P, Moody's and Fitch, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (2) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A-1" or "A3" or better by any two of S&P, Moody's and Fitch; or (3) any other entity rated "A-1" or "A3" or better by any two of S&P, Moody's and Fitch, provided that:

(1) the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to any two of S&P, Moody's and Fitch to maintain an "A-1" or "A3" rating or better in an "A-1" or "A3" rated structured financing (with a market value approach);

(2) the Trustee or a third party acting solely as agent therefor or for the Board (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(3) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered

that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(4) all other requirements of S&P, Moody's or Fitch, as the case may be, in respect of repurchase agreements shall be met;

(5) the repurchase agreement shall provide that if during its term the provider's rating by any two of Moody's S&P or Fitch is withdrawn or suspended or falls below "A-1" or "A3" by two of Moody's, S&P or Fitch, the provider must, at the direction of the Board or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Board or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (1) above, so long as such collateral levels are 103% or better and the provider is rated at least "A-1" or "A3" or better by any two of S&P, Moody's and Fitch;

(viii) investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA-" by S&P and "Aa3" by Moody's; provided that, by the terms of the investment agreement:

(1) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for one of the Construction Funds, construction draws) on the Bonds;

(2) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice;

(3) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(4) the Board or the Trustee receives the opinion of domestic counsel that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Board;

(5) the investment agreement shall provide that if during its term

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Board, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment; and

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Board or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Board or Trustee;

(6) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(7) the investment agreement must provide that if during its term

(A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Board or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Board or Trustee, as appropriate, and

(B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Board or Trustee, as appropriate;

(ix) Secured Deposits; and

(x) to the extent not included in the foregoing, any investment permitted for municipal or county funds pursuant to Section 11-81-21 of the Code of Alabama 1975, as at any time amended or supplemented, or as otherwise permitted under Alabama law.

"Federal Securities" means (a) any securities that are direct obligations of the United States of America, and (b) any securities with respect to which payment of the principal thereof and the interest thereon is unconditionally guaranteed by the United States of America.

"Fiscal Year" means the period beginning on October 1 of a calendar year and ending on September 30 of the next succeeding calendar year, unless the fiscal year of the Board is changed in which case it means the period beginning on the first day of the first month of such year and ending on the last day of the month immediately preceding such first month.

"Fitch" means Fitch IBCA, Inc.

"Holder" means the person in whose name a Bond is registered on the books of the Trustee pertaining to the Bonds.

"Indenture" means these presents and every supplemental agreement with the Trustee in pursuance hereof.

"Independent Auditor" means a certified public accountant, or firm thereof, not employed full time by the Board and regularly engaged in the auditing of financial records.

"Independent Counsel" means an attorney who is duly licensed to practice before the Supreme Court of Alabama and who is not employed full time by the Board.

"Independent Engineer" means an engineer who is duly registered and qualified to practice the profession of engineering under the laws of Alabama and who is not a full-time employee of the Board.

"Independent Financial Advisor" means an investment banking or financial advisory firm, commercial bank, or any other person not employed by the Board and appointed by the Board for the purpose of passing on questions relating to the availability and terms of specified types of securities and is actively engaged in and, in the good faith opinion of the Board, has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of securities.

"Insurance Consultant" mean an independent insurance consultant or insurance consulting firm regularly engaged in the business of insurance consulting.

"Interest Payment Date" means (a) with respect to the Series 2020 Bonds, each September 1 and March 1, commencing September 1, 2020, and (b) with respect to any series of Additional Bonds, any date specified in the Supplemental Indenture pursuant to which such series of Additional Bonds is issued as a date on which interest is to be paid on such series of Additional Bonds.

"Letter of Credit" means an irrevocable letter of credit issued with respect to the payment of principal, interest or premium on any series of Bonds.

"Mandatory Redemption Requirement" means, with respect to the Series 2020 Bonds, any provisions that may be set forth herein, and, with respect to any series of Additional Bonds, any provisions that may be set forth in the Supplemental Indenture authorizing the issuance of such Additional Bonds, for mandatory redemption of any Additional Bonds at a Redemption Price equal to the principal amount thereof.

"Maturity Amount" means the aggregate principal and interest due and payable at maturity with respect to the Capital Appreciation Bonds.

"Maximum Annual Debt Service Requirement" means, as of any date of determination, the maximum Annual Debt Service Requirement during the then current or any then succeeding Fiscal Year.

"Moody's" means Moody's Investors Service, Inc.

"Net System Revenues" shall have the meaning given to such term in Section 2.1 of this Indenture.

"Operating Expenses" means, for the applicable period or periods, (a) the reasonable and necessary expenses of efficiently and economically administering and operating the System, including, without limiting the generality of the foregoing, the cost of water purchased or produced, the cost of all items of labor, materials, supplies and equipment (other than equipment which, by generally accepted accounting principles, is properly chargeable to fixed capital account), premiums on insurance and fidelity bonds, fees for engineers, attorneys and accountants for services rendered (except in cases where such fees are properly chargeable, by generally accepted accounting principles, to fixed capital account), and reasonable compensation to the Trustee for its expenses incurred and services performed hereunder, all items herein specifically stated to constitute an operating expense, and all other items except depreciation and interest that by generally accepted accounting principles are properly chargeable to expenses of administration and operation, (b) the expenses of maintaining the System in good repair and in good operating condition, but not including items that by generally accepted accounting principles are properly chargeable to fixed capital account, and (c) all payments to be made by the Board under the Water Supply Agreement and any other charges herein expressly stated to constitute an Operating Expense.

"outstanding" or **"outstanding hereunder"** or **"outstanding under this Indenture"**, when used with reference to the Bonds, shall mean, as of any particular time, all Bonds authenticated and delivered under this Indenture, except (a) Bonds cancelled at or prior to the particular time; (b) Bonds deemed paid as provided in Section 16.1 hereof; and (c) Bonds in lieu of, or in substitution for, which other Bonds shall have been authenticated and delivered pursuant to the provisions of Section 4.4 hereof.

"Outstanding Amount" means, as of any date of determination, the sum of (a) the outstanding principal amount of Bonds issued in the form of Current Interest Paying Bonds, and (b) the then applicable Compounded Amount of the outstanding Bonds issued in the form of Capital Appreciation Bonds.

"Overdue Interest" means interest due but not paid on the Interest Payment Date on which such interest is required to be paid.

"Overdue Interest Payment Date" means the date fixed by the Trustee, pursuant to the provisions of Section 5.2 hereof, for the payment of Overdue Interest.

"Permitted Encumbrances" means as of any particular time (a) liens for ad valorem taxes not then due, (b) easements, restrictions and exceptions that an Independent Engineer certifies will not interfere with or impair the operation of the System and (c) minor clouds, encumbrances, defects and restrictions of the type that customarily exist with respect to properties of a size and character similar to those constituting the System and that do not, in the opinion of Counsel, in the aggregate materially impair the use of such properties in the operation of the System.

"Principal Payment Date" means (a) with respect to the Series 2020 Bonds, any date specified in Section 7.1 hereof for the payment of principal on such Bonds, and (b) with respect to any series of Additional Bonds, any date specified in the Supplemental Indenture pertaining to such Additional Bonds as a date for payment of principal of such Additional Bonds.

"Record Date" means (a) with respect to the Series 2020 Bonds, the August 15 and February 15, as the case may be, next preceding an Interest Payment Date, and (b) with respect to any series of Additional Bonds, the dates specified or determined in accordance with the Supplemental Indenture pursuant to which such Additional Bonds are issued.

"Redemption Date" means the date fixed for redemption of Callable Bonds in any notice of redemption.

"Redemption Price" means the price at which the Callable Bonds called for redemption may be redeemed on the Redemption Date.

"Reimbursement Obligation" means an obligation on the part of the Board to reimburse a Credit Facility Obligor for amounts paid by such Credit Facility Obligor with respect to the principal of or the interest or premium, if any, on the Bonds under the terms of a Credit Facility, together with interest thereon; provided, however, that Credit Facility Fees shall not be included in calculating the amount of a Reimbursement Obligation.

"Reserve Fund" means one or more separate reserve funds created in Supplemental Indentures for the benefit of one or more series of Additional Bonds.

"Resolution" means a resolution duly adopted by the Board.

"Responsible Officer" means, when used with respect to the Trustee, any vice president, assistant vice president, senior associate or other officer of the Trustee having direct responsibility for the administration of this Indenture.

"Revenue Fund" shall have the meaning given to such term in Section 10.1 hereof.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies.

"Secured Deposits" means U.S. dollar-denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (including, without limitation, the Trustee), provided that such deposits are collaterally secured by the issuing bank by pledging securities having a market value (exclusive of accrued interest) not less than the face amount of such deposits less the amount of such deposit which is insured by the Federal Deposit Insurance Corporation.

"Series 2010 Bonds" means the Board's Water Revenue Capital Improvement and Refunding Bonds, Series 2010, dated June 1, 2010, which were originally issued in the aggregate principal amount of \$21,595,000.

"Escrow Agreement" means that certain Escrow Trust Agreement dated the date of the Series 2020 Bonds between the Board and Regions Bank, in its capacity as escrow trustee thereunder.

"Series 2010 Bonds Escrow Fund" means the escrow fund entitled "Series 2010 Bonds Escrow Fund" created pursuant to the Escrow Agreement.

"Series 2015 Bonds" means the Board's Water Revenue Bonds, Series 2015, dated November 24, 2015, which were originally issued in the aggregate principal amount of \$16,695,000.

"Series 2015 Bonds Escrow Fund" means the escrow fund entitled "Series 2015 Bonds Escrow Fund" created pursuant to the Escrow Agreement.

"Series 2020 Bonds" means the Series 2020-A Bonds and the Series 2020-B Bonds.

"Series 2020-A Bonds" means those Bonds bearing the designation "Water Revenue Bonds, Series 2020-A," of the Board herein authorized.

"Series 2020-B Bonds" means those Bonds bearing the designation "Taxable Water Revenue Bonds, Series 2020-B," of the Board herein authorized.

"Supplemental Indenture" means an agreement supplemental hereto.

"System" means the water works plant and distribution system of the Board, as said system now exists and as it may hereafter be extended and improved.

"Tender Option Bonds" means Bonds that are required to be purchased on behalf of the Board, at the option of the Holders thereof, prior to their respective maturities; provided, however, that if no such option is thereafter exercisable, such Bond shall no longer be considered a "Tender Option Bond."

"Trustee" means the party of the second part hereto and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Variable Rate Bond" means Bonds that bear interest at a rate per annum which is subject to adjustment so that the actual rate of interest is not ascertainable at the time such Bonds are issued; provided, however, that upon the conversion of the rate of interest on a Variable Rate Bond to a fixed rate of interest (whether or not the interest rate on such Bond is subject to conversion

back to a variable rate of interest), such Bond shall be considered a "Fixed Rate Bond" for so long as such Bond bears interest at a fixed rate.

"Water Supply Agreement" means that certain Amended Water Supply Agreement dated June 1, 1983, between the Board and The Water Works Board of the City of Opelika, as amended by an Amendatory Agreement dated as of May 1, 1986, and a Second Amendment to the Amended Water Supply Agreement dated as of October 1, 1994, and as may be further amended or modified.

"2010 Indenture" means that certain Trust Indenture dated as of June 1, 2010, between the Board and the Trustee, as successor trustee, as supplemented and amended by a First Supplemental Indenture dated November 24, 2015, pursuant to which the Board issued the Series 2010 Bonds and the Series 2015 Bonds.

"2010 Indenture Trustee" means Regions Bank, as successor trustee to The Bank of New York Mellon Trust Company, N.A. under the 2010 Indenture, and any successor or assigns thereof.

"2010 Bond Fund" means the Bond Principal and Interest Fund created in Section 8.2 of the 2010 Indenture.

"2010 Reserve Fund" means the Debt Service Reserve Fund created in Section 8.3 of the 2010 Indenture.

"2020-A Improvements" means the capital improvements to the System to be financed with the Series 2020-A Bonds, including, without limitation, a new water well, access pipes, land and easement acquisition, building improvements and related public infrastructure improvements, capital equipment and assets for the System.

Section 1.2 Use of Phrases. "Herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to the Indenture as an entirety and not solely to the particular portion thereof in which any such word is used. The definitions set forth in Section 1.1 hereof include both singular and plural. Whenever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders.

ARTICLE II

SOURCE OF PAYMENT OF BONDS AND PLEDGE AND SEVERANCE OF REVENUES

Section 2.1 Source of Payment of Bonds and Pledge of Revenues. The principal of and interest (and premium, if any) on the Bonds shall be payable solely from the revenues

derived from the operation of the System remaining after payment of Operating Expenses (herein called "Net System Revenues"). In order to secure to the Holders thereof payment of the principal of and the interest (and premium, if any) on the Bonds and the performance and observance of the covenants and conditions therein and herein contained, and in consideration of their purchase and acceptance of the Bonds and the acceptance by the Trustee of the trusts herein provided, the Board has pledged and does hereby pledge with the Trustee the revenues to be derived from the operation of the System for payment of the principal of and interest (and premium, if any) on the Bonds and for making the payments into the special funds created herein, together with all special funds so created, and all moneys and investments held or on deposit in said funds, all to the extent hereinafter provided. The aforesaid pledge is made for the equal and pro rata protection and benefit of the Holders, present and future, of the Bonds, without preference or priority of one over another by reason of priority in issuance or acquisition or otherwise, as if all the Bonds at any time outstanding hereunder had been executed, sold, authenticated, delivered and negotiated simultaneously with the execution and delivery hereof. The Board warrants and represents that upon the issuance of the Series 2020 Bonds, it will have no outstanding securities for the payment of which it has pledged the revenues to be derived from the operation of the System other than the Series 2020 Bonds issued hereunder.

Section 2.2 Severance of Revenues. In order to safeguard the aforesaid pledge and the performance and observance of the agreements and covenants of the Board herein contained, the Board does hereby declare its intention that the revenues derived from the operation of the System shall be and the same hereby are severed from the physical properties composing the System to such extent as shall be necessary to fulfill and preserve inviolate the said pledge and to fulfill the said agreements and covenants.

ARTICLE III

ISSUANCE OF BONDS IN SERIES

Section 3.1 Issuance of Bonds in Series. The Bonds may be issued in different series, and each Bond shall have an appropriate series designation. All the Bonds shall be equally and ratably secured by the Indenture and by the pledges herein contained, it being expressly understood and agreed that no Bonds issued hereunder shall be prior to any other Bonds thereafter issued hereunder, but shall be on a parity therewith, with respect both to the provisions of the Indenture and to said pledges; provided, however, that nothing herein contained shall be construed to prevent the Board from providing for the sole benefit of any series of Additional Bonds or a portion of such series, separate or special security in the form of a Credit Facility, a Reserve Fund or other credit or liquidity enhancement without providing the same or similar security for other Bonds therefore or thereafter issued under the Indenture.

Section 3.2 General Provisions Respecting Bonds. Each of the series of the Bonds shall bear such date or dates and shall mature on such dates and in such amounts as shall be specified in the Indenture or Supplemental Indenture providing therefor. Interest on the Bonds of each series (other than the Capital Appreciation Bonds) shall be payable, at such per annum rate or rates as shall be fixed therefor prior to their issuance on the dates set forth in the Indenture or Supplemental Indenture under which they are issued. The principal of and the premium, if any, on the Bonds and the Maturity Amount of the Capital Appreciation Bonds shall be payable in lawful money of the United States of America at the corporate trust office of the Trustee upon presentation and surrender of the Bonds as they become due and payable. With respect to each series of Bonds, interest on the Bonds shall, except in the case of Capital Appreciation Bonds or as otherwise provided in Section 5.2 hereof, be paid by check or draft mailed by the Trustee on the Interest Payment Date referable to such series to the respective Holders thereof at their addresses as they appear on the registry books of the Trustee pertaining to the registration of the Bonds as of the close of business on the Record Date; provided, however, (a) that any Holder of not less than \$500,000 in principal amount of the Series 2020 Bonds then outstanding may make arrangements with the Trustee for the payment of interest thereon and the principal and premium, if any, payable upon any partial redemption thereof, by wire transfer, and (b) that the Supplemental Indenture authorizing the issuance of any series of Additional Bonds may contain similar provisions for the payment of interest, principal or premium on such series of Additional Bonds. Any principal, interest, premium or Maturity Amount with respect to any Bond that becomes due on a day other than a Business Day shall be payable on the next succeeding Business Day and no interest shall accrue in the interim.

Section 3.3 Form of Bonds, Etc. The Series 2020 Bonds and various certificates applicable thereto shall be in substantially the form provided therefor in Section 7.3 hereof. The Bonds of each series of Additional Bonds and various certificates and endorsements applicable thereto shall be in substantially the forms respectively provided therefor in the Supplemental Indenture providing therefor, which shall in general be similar to the corresponding forms applicable to the Series 2020 Bonds, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof and such Supplemental Indenture.

ARTICLE IV

EXECUTION AND AUTHENTICATION OF THE BONDS

Section 4.1 Execution of Bonds. The Series 2020 Bonds shall be executed on behalf of the Board with a manual or facsimile signature of the Chairman of the Directors and attested by a manual or facsimile signature of the Secretary of the Board. The seal of the Board shall be imprinted or reproduced in facsimile on each of the Series 2020 Bonds. Signatures on the Series 2020 Bonds by persons who were officers of the Board at the time such signatures were written or printed shall continue effective although such persons cease to be such officers prior to the authentication of the Series 2020 Bonds or the delivery of the Series 2020 Bonds. With respect to any Additional Bonds hereafter issued, such Bonds shall be executed and sealed in the manner hereinabove specified for the Series 2020 Bonds unless otherwise specified in the Supplemental Indenture pursuant to which such series of Additional Bonds is issued.

Section 4.2 Authentication Certificate of Trustee. A duly and manually executed authentication certificate by the Trustee in substantially the applicable form hereinafter recited shall be endorsed on each of the Bonds and shall be essential to its validity. Such certificate shall be conclusive of the due issue of such Bond hereunder.

Section 4.3 Accrual of Interest on Bonds. With respect to each series of Bonds, each Bond (other than a Capital Appreciation Bond) issued hereunder (including, without limitation, those issued pursuant to the provisions of Section 4.4, 5.1, 5.4 or 6.2 hereof) shall bear interest from the Interest Payment Date referable to such series next preceding the date of its authentication by the Trustee unless (1) such date of authentication is an Interest Payment Date for such series, in which event such Bond shall bear interest from the date of its authentication, (2) at the time of such authentication the Board is in default in the payment of interest on the Bond in lieu of which such new Bond is issued, in which event such new Bond shall bear interest from the last Interest Payment Date referable to such series to which interest has previously been paid or made available for payment on the Bond in lieu of which such new Bond is issued, or (3) such Bond is issued prior to the first Interest Payment Date with respect to the series of Bonds evidenced in whole or in part thereby, in which event such Bond shall bear interest from the date of the Bonds of that series. All Capital Appreciation Bonds shall be dated and bear interest from the date of authentication and delivery thereof to the initial purchasers thereof. The preceding provisions shall be construed to the end that the issuance of a Bond shall not effect any gain or loss of interest to the Holder thereof.

Section 4.4 Replacement of Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Board may execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor as that mutilated, lost, stolen or destroyed; provided that (a) in the case of any such mutilated Bond, such Bond is first surrendered to the Board and the Trustee, and (b) in the case of any such lost, stolen or destroyed Bond, there is first furnished to the Board and the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with indemnity reasonably satisfactory to each of them. The Board may charge the Holder with the expense of issuing any such new Bond.

ARTICLE V

REGISTRATION AND TRANSFERS OF THE BONDS

Section 5.1 Registration and Transfer of Bonds. The Trustee shall be the registrar and transfer agent of the Board and shall keep at its office proper registry and transfer books in which it will note the registration and transfer of such Bonds, all in the manner and to the extent hereinafter specified.

All Bonds shall be registered as to both principal and interest by the Trustee as registrar and transfer agent for the Board and shall be transferable only on the transfer books of the Trustee. No transfer of a Bond shall be valid hereunder unless such Bond is presented at the office of the Trustee with written power to transfer signed by the registered owner thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature reasonably satisfactory to the Trustee, whereupon the Board shall execute, and the Trustee shall authenticate and deliver to the transferee, a new Bond, registered in the name of such transferee and of like tenor as that presented for transfer. The person in whose name a Bond is registered on the books of the Trustee shall be the sole person to whom or on whose order payments on account of the principal thereof and of the interest (and premium, if any) thereon may be made.

Section 5.2 Persons to Whom Payment of Interest on Bonds is to be Made. With respect to each series of Current Interest Paying Bonds, interest thereon shall, except as provided in Section 3.2 hereof and in the next succeeding paragraph of this Section 5.2, and except as may be provided otherwise by Supplemental Indenture with respect to any series of Additional Bonds, be payable in lawful money of the United States of America by check or draft mailed by the Trustee to the registered Holders of the Bonds of such series as of the close of business on the Record Date next preceding the Interest Payment Date referable to such series at the address shown on the registry books of the Trustee pertaining to the Bonds. Each Holder of any of the Bonds takes it subject to all payments of interest in fact made with respect thereto.

Any provision hereof to the contrary notwithstanding, Overdue Interest shall not be payable to the Holder of any particular series of Bonds solely by reason of such Holder having been the Holder on the Record Date next preceding the Interest Payment Date on which such interest became due and payable, but shall be payable by the Trustee as follows:

- (a) Not less than ten (10) days following receipt by the Trustee of immediately available funds in an amount sufficient to enable the Trustee to pay all Overdue Interest, the Trustee shall fix an Overdue Interest Payment Date for payment of such Overdue Interest.
- (b) Such Overdue Interest Payment Date fixed by the Trustee shall be a date not more than twenty (20) days following the expiration of the period described in the foregoing subparagraph (a).

(c) Overdue Interest shall be paid by check or draft mailed by the Trustee to the persons in whose names the Bonds of the particular series in question were registered on the Overdue Interest Payment Date. Payment of Overdue Interest in the manner prescribed in this paragraph to the persons in whose names the Bonds of the particular series in question were registered on the Overdue Interest Payment Date shall fully discharge and satisfy all liability for the same.

Section 5.3 Persons Deemed Owners of Bonds. The Board and the Trustee may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes; they shall not be affected by notice to the contrary; and all payments by any of them to the person in whose name a Bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same.

Section 5.4 Exchange of Bonds. Upon the written request of the Holder of one or more Bonds, the Board shall execute, and the Trustee shall thereupon authenticate and deliver, upon surrender to the Trustee of such Bond or Bonds and in exchange therefor, other Bonds in different Authorized Denominations of like tenor, having the same stated maturity and together aggregating the same principal amount as the then unpaid principal amount of the Bond or Bonds so surrendered, as may be requested by the person surrendering such Bond or Bonds. Any Bonds surrendered for exchange pursuant to the provisions of this Section 5.4 shall be accompanied by a written power to transfer signed by the registered owner thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature reasonably satisfactory to the Trustee.

Section 5.5 Expenses of Registration and Transfer. Any transfer, registration or exchange of any of the Bonds provided for in this Indenture shall be made without charge to the Holders; provided, however, that in every case involving any transfer, registration or exchange or any of the Bonds that is requested by the Holder thereof, such Holder shall pay all taxes and other governmental charges required to be paid in connection with such transfer, registration or exchange.

Section 5.6 Time Limits on Registration, Transfer or Exchange. If any Bond is duly called for redemption (in whole or in part), the Trustee shall not be required to register, transfer or exchange such Bond during the period of forty-five (45) days next preceding the Redemption Date.

Section 5.7 Provisions Respecting Registration of Bonds to Comply with Provisions of Code. The Board and the Trustee recognize that the provisions of the Code now require that the Bonds be in "registered form", and that, in general, each Bond must be registered as to both principal and interest and any transfer of any Bond must be effected only by the surrender of the old Bond and either by the reissuance of the old Bond to a new Holder or the issuance of a new Bond to a new Holder. The Trustee may conclusively rely upon an opinion of Bond Counsel with respect to any question which may arise pertaining to the transfer, exchange or reissuance of Bonds. The provisions of this Indenture pertaining to transfer, exchange or reissuance of Bonds need not or shall not be followed if the Trustee receives an opinion of Bond Counsel that compliance with requirements in addition to or in lieu of the requirements of this

Indenture pertaining to such transfer, exchange or reissuance is required or permitted under the provisions of the Code, or under other applicable laws and regulations.

Section 5.8 Denominations and Registration of Bonds as Initially Issued. The Bonds of each maturity shall be initially issued in Authorized Denominations as requested by the purchaser and registered in the names of the persons specified by the initial purchaser of the Bonds from the Board. If, for any reason, the Trustee is unable to prepare or cause to be prepared Bonds in the Authorized Denominations requested by the purchaser and registered in the names of the persons specified by the purchaser, the Board may deliver one Bond for each maturity in the principal amount of such maturity, each registered in the name of the initial purchaser of the Bonds from the Board.

Section 5.9 Notations on Bonds by Trustee. The Trustee is hereby authorized to cause numbers or other notations to be printed or otherwise placed on the Bonds for the convenience of the Trustee in performing the registration and other duties imposed on it hereunder. Any such numbers or other notations that may appear on the Bonds and that are not specifically herein provided for shall be for the sole convenience of the Trustee and, insofar as the Board is concerned, shall not be construed as conferring any rights on the Holders of the Bonds.

ARTICLE VI

GENERAL PROVISIONS RESPECTING REDEMPTION OF CALLABLE BONDS

Section 6.1 Manner of Effecting Redemption of Callable Bonds. Any redemption of any Callable Bonds of any series shall be effected in the following manner:

(a) **Call.** The Board shall adopt a Resolution containing the following: (1) a call for redemption, on a specified date when they are by their terms subject to redemption, of Callable Bonds (or portion thereof) in Authorized Denominations and bearing a stated series designation or designations; (2) unless all the Bonds then outstanding are to be redeemed (or unless a portion of all such outstanding Bonds are to be redeemed and the remainder are, simultaneously with or prior to such redemption, to be otherwise retired), a statement that the Board is not in default under the Indenture; and (3) a summary of all applicable restrictions upon or conditions precedent to such redemption and the provisions made to comply therewith; provided, however, that it shall not be necessary for the Board to adopt any such Resolution in the case of any redemption of Callable Bonds of any series of Bonds if the redemption is one that is required by a Mandatory Redemption Requirement or is one that is otherwise mandatorily required or if, in the Supplemental Indenture providing for such series of Additional Bonds, the adoption of such Resolution is expressly stated to be unnecessary.

(b) **Notice by First-Class Mail.** The Trustee (on behalf of the Board) shall cause to be forwarded by United States First-Class Mail to the Holder, at the address of such Holder as such address appears on the registry books of the Trustee pertaining to the registration of the Bonds, a notice stating the following: that Callable Bonds bearing a stated series designation or designations have been called for redemption and will become due and payable at the Redemption Price or Redemption Prices on a specified Redemption Date, and that all interest thereon will cease after the Redemption Date. Such notice shall be so mailed not more than sixty (60) nor less than thirty (30) days prior to the Redemption Date, but Holders of any Bonds may waive the requirements of this subsection with respect to the Bonds held by them without affecting the validity of the call for redemption of any other Callable Bonds. Such notice may be conditioned upon the receipt of funds sufficient for payment of the Callable Bonds on the Redemption Date.

(c) **Deposit.** On or before the Redemption Date the Board shall deposit or cause to be deposited with the Trustee the total Redemption Price of the Callable Bonds (or portions thereof) so called for redemption, and the Board shall further furnish or cause to be furnished to the Trustee the following: (1) a certified copy of the Resolution required in subsection (a) of this section (if, under the circumstances, the adoption of any such Resolution is required); and (2) in the case of the redemption of any Callable Bonds on a date when such Callable Bonds

may be redeemed only with funds from a specified source or when such redemption is made subject, by the terms of the Indenture or any Supplemental Indenture, to any other restriction or requirement, such evidence (if any) as the Trustee may require showing compliance with such restriction or requirement.

Section 6.2 Presentation of Callable Bonds for Redemption. Bonds Called for

Redemption to Cease to Bear Interest. Upon compliance by the Board and the Trustee with the requirements contained in subsections (a), (b) and (c) of the preceding Section 6.1 hereof (and, unless all the Bonds then outstanding are to be redeemed or unless a portion of such outstanding Bonds are to be redeemed and the remainder are, simultaneously with or prior to such redemption, to be otherwise retired), if the Board is not on the Redemption Date in default in payment of the principal of or the interest (or premium, if any) on any of the Bonds, the Callable Bonds so called for redemption (or, in the case of any Bonds called for redemption in part, the portions thereof called for redemption) shall become due and payable at the place or places at which the same shall be payable at the Redemption Price or Prices and on the Redemption Date specified in such notice, anything herein or in the Callable Bonds to the contrary notwithstanding and the Holders thereof shall then and there surrender them for redemption; provided, however, that with respect to any Bond called for partial redemption, the Holder thereof shall surrender such Bond to the Trustee in exchange for one or more Bonds in Authorized Denominations, in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered, all as shall be requested by the Holder of such Bond so called for partial redemption. All future interest on the Callable Bonds so called for redemption (or, in the case of any Bonds called for redemption in part, the portions thereof called for redemption) shall cease to accrue after the Redemption Date; and the Callable Bonds so called (or, in the case of any Bonds called for redemption in part, the portions thereof called for redemption) shall no longer be entitled to the benefit of the security provided by the Indenture but shall look solely to the moneys deposited with the Trustee under the provisions of this article; and out of the moneys so deposited with it, the Trustee shall make provision for payment of the Callable Bonds so called for redemption (or, in the case of any Bonds called for redemption in part, the portions thereof called for redemption) at the Redemption Price and on the Redemption Date.

ARTICLE VII

THE SERIES 2020 BONDS

Section 7.1 Authorization and Description of Series 2020 Bonds. (a) **Series 2020-A Bonds.** There is hereby authorized to be issued and delivered under the Indenture an issue or series of Bonds designated "Water Revenue Bonds, Series 2020-A", limited in aggregate principal amount to \$16,860,000. Proceeds of the Series 2020-A Bonds shall be used to refund the Series 2010 Bonds, to pay the costs of the 2020-A Improvements, and to pay issuance expenses related to the Series 2020-A Bonds. The Series 2020-A Bonds shall be dated their date of original issuance (March 26, 2020), and shall mature and become payable on September 1 in the following years and in the following amounts and shall bear interest from their date at the following per annum rates (payable on September 1, 2020, and on each Interest Payment Date thereafter):

Year of Maturity	Principal Amount Maturing	Interest Rate
2020	\$ 260,000	3.000%
2021	1,080,000	3.000
2022	1,110,000	3.000
2023	1,150,000	3.000
2024	1,185,000	3.000
2025	1,215,000	4.000
2026	1,265,000	4.000
2027	1,315,000	4.000
2028	1,370,000	4.000
2029	1,425,000	4.000
2030	1,480,000	4.000
2031	1,545,000	4.000
2032	1,600,000	4.000
2039	860,000	2.125

(b) **Series 2020-B Bonds.** There is hereby authorized to be issued and delivered under the Indenture an issue or series of Bonds designated "Taxable Water Revenue Bonds, Series 2020-B", limited in aggregate principal amount to \$18,475,000. Proceeds of the Series 2020-B Bonds shall be used to refund the Series 2015 Bonds and to pay issuance expenses related to the Series 2020-B Bonds. The Series 2020-B Bonds shall be dated their date of original issuance (March 26, 2020), and shall mature and become payable on September 1 in the following years and in the following amounts and shall bear interest from their date at the following per annum rates (payable on September 1, 2020, and on each Interest Payment Date thereafter):

Year of Maturity	Principal Amount Maturing	Interest Rate
2021	\$250,000	1.388%
2022	205,000	1.438
2023	205,000	1.520
2024	205,000	1.588
2025	215,000	1.608
2026	215,000	1.844
2027	220,000	1.974
2028	225,000	2.085
2029	225,000	2.155
2030	235,000	2.255
2031	235,000	2.305
2032	245,000	2.365
2033	1,800,000	2.385
2034	1,845,000	2.485
2035	1,890,000	2.585
2036	1,935,000	2.797
2037	1,990,000	2.847
2038	2,050,000	2.897
2039	2,110,000	2.927
2040	2,175,000	2.977

(c) **Authorized Denominations.** The Series 2020 Bonds shall be initially issued in the Authorized Denominations and registered in the names of the Holders of the Bonds as shall, pursuant to the provisions of Section 5.8 hereof, be designated by the purchaser of the Series 2020 Bonds from the Board. All installments of principal of and interest (and premium, if any) on each Series 2020 Bond shall bear interest after the respective maturities of such principal and interest (and premium, if any) until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at the rate of interest borne by such Series 2020 Bond. Neither the Board nor the Trustee will have any responsibility or obligation to any Depository Trust Company participant, indirect participant or any beneficial owner of the Bonds or any other person with respect to: (i) the Bonds; (ii) the accuracy of any records maintained by Depository Trust Company or any Depository Trust Company participant or indirect participant; (iii) the payment by Depository Trust Company or any Depository Trust Company participant or indirect participant of any amount due to any beneficial owner of the Bonds in respect of the principal or redemption price of or interest on the Bonds; (iv) the delivery by Depository Trust Company or any Depository Trust Company participant or indirect participant of any notice to any beneficial owner of the Bonds which is required or permitted under the terms of this Indenture to be given to Holders of the Bonds; (v) the selection of the beneficial owners of the Bonds to receive payment in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by Depository Trust Company as Holder of the Bonds.

Section 7.2 Redemption Provisions. (a) **Optional Redemption of Series 2020-A Bonds.**

Those of the Series 2020-A Bonds having a stated maturity on September 1, 2030, and thereafter, will be subject to redemption prior to maturity, at the option of the Board, as a whole or in part (but if in part, in maturities of \$5,000 with those of the maturities to be redeemed to be selected by the Board at its discretion), on March 1, 2030, and on any date thereafter, at and for a redemption price equal to the par or face amount of each Series 2020-A Bond redeemed, plus accrued interest thereon to the date fixed for redemption.

(b) **Optional Redemption of Series 2020-B Bonds.** Those of the Series 2020-B Bonds having a stated maturity on September 1, 2030, and thereafter, will be subject to redemption prior to maturity, at the option of the Board, as a whole or in part (but if in part, in maturities of \$5,000 with those of the maturities to be redeemed to be selected by the Board at its discretion), on March 1, 2030, and on any date thereafter, at and for a redemption price equal to the par or face amount of each Series 2020-B Bond redeemed, plus accrued interest thereon to the date fixed for redemption.

(c) **Mandatory Redemption of Series 2020-A Bonds.** The Series 2020-A Bonds maturing on September 1, 2039 (the "2020-A Term Bonds") shall be redeemed, at a redemption price equal to the face amount of Series 2020-A Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, on the dates and in the principal amounts as follows:

2020-A Term Bonds Maturing September 1, 2039

Year (September 1)	Principal Amount to be Redeemed
2033	\$115,000
2034	115,000
2035	120,000
2036	125,000
2037	130,000
2038	125,000
2039 (maturity)	130,000

In the event the Board shall have partially redeemed the 2020-A Term Bonds or shall have provided for a partial redemption of the 2020-A Term Bonds in such a manner that the 2020-A Term Bonds for the redemption of which provision is made are considered as fully paid, the Board may elect to apply all or any part (but only in integral multiples of \$5,000) of the principal amount of such 2020-A Term Bonds so redeemed or to be redeemed to the reduction of the principal amount of 2020-A Term Bonds required to be redeemed pursuant to the schedules set forth immediately above on any September 1 coterminous with or subsequent to the date such optional redemption actually occurs.

(d) **Mandatory Redemption of Series 2020-B Bonds.** The Series 2020-B Bonds maturing on September 1, 2021 (the "2020-B Term Bonds") shall be redeemed, at a redemption price equal to the face amount of Series 2020-B Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, on the dates and in the principal amounts as follows:

2020-B Term Bonds Maturing September 1, 2021

Year (September 1)	Principal Amount to be Redeemed
2020	\$50,000
2021 (maturity)	200,000

In the event the Board shall have partially redeemed the 2020-B Term Bonds or shall have provided for a partial redemption of the 2020-B Term Bonds in such a manner that the 2020-B Term Bonds for the redemption of which provision is made are considered as fully paid, the Board may elect to apply all or any part (but only in integral multiples of \$5,000) of the principal amount of such 2020-B Term Bonds so redeemed or to be redeemed to the reduction of the principal amount of 2020-B Term Bonds required to be redeemed pursuant to the schedules set forth immediately above on any September 1 coterminous with or subsequent to the date such optional redemption actually occurs.

Section 7.3 Form of Series 2020 Bonds. (a) The Series 2020-A Bonds and the Certificate of Registration and the Trustee's Authentication Certificate applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

(Form of Series 2020-A Bonds)

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Board or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

STATE OF ALABAMA

**THE WATER WORKS BOARD OF THE CITY OF AUBURN
Water Revenue Bond
Series 2020-A**

Subject to prior payment and other provisions herein provided

For value received, **THE WATER WORKS BOARD OF THE CITY OF AUBURN**, a public corporation and instrumentality under the laws of Alabama (herein called the "Board"), will pay to **CEDE & CO.**, or registered assigns, solely out of the revenues hereinafter referred to

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on the date specified above with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above (computed on the basis of a 360-day year of twelve consecutive 30-day months), payable semiannually on March 1 and September 1, commencing September 1, 2020, in each year until the due date hereof.

This bond is one of a duly authorized issue of Bonds issuable in series without express limit as to principal amount issued under a Trust Indenture dated as of the date of the Series 2020-A Bonds (the "Indenture"), from the Board to Regions Bank (herein, together with its successors in trust, called the "Trustee"). The principal of and the interest (and premium, if any) on the Bonds are payable solely out of the revenues derived from the operation of the Board's water works plant and distribution system (which, as presently or hereafter constituted, is herein called the "System") remaining after payment of the expenses of operating and maintaining the System as more particularly described in the Indenture as "Net System Revenues." Payment of the principal of and the interest (and premium, if any) on the Bonds is secured, pro rata and without preference or priority of the Bonds of any one series over the Bonds of any other by a valid pledge of the revenues out of which they are payable.

Reference is hereby made to the Indenture for a description of the nature and extent of the security afforded thereby, the rights and duties of the Board and the Trustee with respect thereto, the rights of the holders of the Bonds and the terms and conditions on which additional series of Bonds may be issued. The Indenture provides, inter alia, (a) that in the event of default by the Board in the manner and for the time therein provided, the Trustee may declare the principal of and the interest accrued on this bond immediately due and payable, whereupon the same shall thereupon become immediately due and payable and the Trustee shall be entitled to pursue the remedies provided in the Indenture, and (b) that the holder of this bond shall have no right to enforce the provisions of the Indenture except as provided therein and then only for the equal and pro rata benefit of the holders of all the Bonds. The Indenture also provides that the Board and the Trustee, with the written consent of the holders of not less than 66-2/3% in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each Bond affected, reduce the principal of, the rate of interest on, or the premium (if any) payable on redemption of, any Bond, or (2) without the consent of the holders of all the Bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, make any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds, create a lien or charge on the revenues from the System ranking prior to or (except in connection with the issuance of Additional Bonds under the Indenture) on a parity with the lien or charge thereon contained in the Indenture, effect a preference or priority of any Bond over any other Bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment. The Indenture does not constitute a mortgage on the System.

The series of Bonds of which this is one is designated "Water Revenue Bonds, Series 2020-A" and is authorized to be issued in the aggregate principal amount of \$16,860,000 (herein called the "Series 2020-A Bonds").

Those of the Series 2020-A Bonds having stated maturities on September 1, 2030, and thereafter, are subject to redemption and payment, at the option of the Board, as a whole or in part (but if in part, in such maturities as the Board shall designate, and if less than all of the principal of the Series 2020-A Bonds of a single maturity is to be redeemed, the Trustee shall select by lot the principal portion of the Series 2020-A Bonds of such maturity to be redeemed), on March 1, 2030, and on any date thereafter, at and for a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

Those of the Series 2020-A Bonds having stated maturities on September 1, 2039 are also subject to mandatory redemption, but only on the dates and in the amounts set forth in the Indenture (with those to be redeemed to be selected by the Trustee by lot) at and for a redemption price, with respect to each Series 2020-A Bond (or portion thereof) redeemed equal to the principal amount thereof plus accrued interest to the date fixed for redemption, but only to the extent required by the Indenture.

Notice of any redemption of any Series 2020-A Bonds (other than by mandatory redemption) shall be given not more than ninety (90) nor less than thirty (30) days prior to the

date fixed for such redemption by United States First-Class Mail to the holder of any Series 2020-A Bond called for redemption at the address of such holder shown on the registry books of the Trustee pertaining to the Series 2020-A Bonds. In the event that less than all the outstanding principal of a Bond is to be redeemed, there shall be issued to the registered holder thereof, upon the surrender of such Bond to the Trustee, a new Bond of even tenor therewith except in a principal amount equal to the unredeemed portion of the Bond so surrendered, all as shall be requested by the registered holder of the Bond to be partially redeemed.

The principal of and premium (if any) on this bond shall be payable only upon presentation and surrender of this bond at the designated corporate trust office of the Trustee. Interest on the Series 2020-A Bonds is payable by check or draft mailed by the Trustee to the then registered holder thereof at the address shown on the registry books of the Trustee pertaining to the Series 2020-A Bonds as of the close of business on the February 15 or August 15, as the case may be, next preceding the date of payment of such interest. Payment of the interest on the Series 2020-A Bonds shall be deemed timely made if mailed on the interest payment date or, if such interest payment date is not a Business Day (as defined in the Indenture), then on the first Business Day immediately following such interest payment date. The Indenture provides that all payments by the Board or the Trustee to the person in whose name a Series 2020-A Bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same. Any transferee of a Series 2020-A Bond takes it subject to all payments of principal and interest in fact made with respect thereto. Notwithstanding anything herein to the contrary, so long as the Series 2020-A Bonds are subject to the Book-Entry Only System of The Depository Trust Company, payments on the Series 2020-A Bonds shall be made in accordance with the rules and regulations of the Book-Entry Only System.

The Board is a public corporation existing under the provisions of Article 8 of Chapter 50 of Title 11 of the Code of Alabama 1975, as amended, and this bond is authorized to be issued for purposes for which bonds are authorized to be issued under the provisions of said Article 8. The Bonds are not general obligations of the Board, and the covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the Board. Neither the faith and credit of the Board nor any of its taxing powers are pledged or shall ever be used for payment of the principal of or interest (or premium, if any) on the Bonds.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this Series 2020-A Bonds do exist, have been performed and have happened in due and legal form.

This bond is transferable by the registered holder hereof in person, or by duly authorized attorney, only on the registry books of the Trustee pertaining to the Bonds and only upon surrender of this bond to the Trustee for cancellation, and upon any such transfer a new Bond of like tenor hereof will be issued to the transferee in exchange therefor, all as more particularly provided in the Indenture. Each holder, by receiving and accepting this bond, shall consent and agree and shall be estopped to deny that, insofar as the Board and the Trustee are concerned, this bond may be transferred only in accordance with the provisions of the Indenture.

The Trustee shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto; and in the event this bond (or any portion of the principal hereof) is duly called for redemption, the Trustee shall not be required so to transfer or exchange it during the period of fifteen days next preceding the date fixed for such redemption.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the Board has caused this bond to be executed in its name and behalf with the signature of the Chairman of its Board of Directors, has caused its corporate seal to be hereunto impressed, has caused this bond to be attested by the signature of its Secretary, and has caused this bond to be dated March 26, 2020.

THE WATER WORKS BOARD
OF THE CITY OF AUBURN

By _____
Chairman of the Board of Directors

[SEAL]

Attest:

Secretary

(Form of Trustee's Authentication Certificate)

Date of Registration and Authentication:

The within bond is one of those described in the within-mentioned Trust
Indenture.

REGIONS BANK,
as Trustee

By _____
Its Authorized Officer

(Form of Assignment)

For value received, _____ hereby sell(s), assign(s) and transfer(s) unto _____ the within bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, with full power of substitution in the premises, to transfer this bond on the books of the within mentioned Trustee.

DATED this ____ day of _____, ____.

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular, without alteration, enlargement or change whatsoever.

Signature guaranteed:

(Bank, Trust Company, or Firm)*

By _____
(Authorized Officer)

Its Medallion Number: _____

* Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

(b) The Series 2020-B Bonds and the Certificate of Registration and the Trustee's Authentication Certificate applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

(Form of Series 2020-B Bonds)

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Board or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

STATE OF ALABAMA

**THE WATER WORKS BOARD OF THE CITY OF AUBURN
Taxable Water Revenue Bond
Series 2020-B**

Subject to prior payment and other provisions herein provided

For value received, **THE WATER WORKS BOARD OF THE CITY OF AUBURN**, a public corporation and instrumentality under the laws of Alabama (herein called the "Board"), will pay to **CEDE & CO.**, or registered assigns, solely out of the revenues hereinafter referred to

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on the date specified above with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above (computed on the basis of a 360-day year of twelve consecutive 30-day months), payable semiannually on March 1 and September 1, commencing September 1, 2020, in each year until the due date hereof.

This bond is one of a duly authorized issue of Bonds issuable in series without express limit as to principal amount issued under a Trust Indenture dated as of the date of the Series 2020-B Bonds (the "Indenture"), from the Board to Regions Bank (herein, together with its successors in trust, called the "Trustee"). The principal of and the interest (and premium, if any) on the Bonds are payable solely out of the revenues derived from the operation of the Board's water works plant and distribution system (which, as presently or hereafter constituted, is herein called the "System") remaining after payment of the expenses of operating and maintaining the System as more particularly described in the Indenture as "Net System Revenues." Payment of the principal of and the interest (and premium, if any) on the Bonds is secured, pro rata and without preference or priority of the Bonds of any one series over the Bonds of any other by a valid pledge of the revenues out of which they are payable.

Reference is hereby made to the Indenture for a description of the nature and extent of the security afforded thereby, the rights and duties of the Board and the Trustee with respect thereto, the rights of the holders of the Bonds and the terms and conditions on which additional series of Bonds may be issued. The Indenture provides, inter alia, (a) that in the event of default by the Board in the manner and for the time therein provided, the Trustee may declare the principal of and the interest accrued on this bond immediately due and payable, whereupon the same shall thereupon become immediately due and payable and the Trustee shall be entitled to pursue the remedies provided in the Indenture, and (b) that the holder of this bond shall have no right to enforce the provisions of the Indenture except as provided therein and then only for the equal and pro rata benefit of the holders of all the Bonds. The Indenture also provides that the Board and the Trustee, with the written consent of the holders of not less than 66-2/3% in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each Bond affected, reduce the principal of, the rate of interest on, or the premium (if any) payable on redemption of, any Bond, or (2) without the consent of the holders of all the Bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, make any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds, create a lien or charge on the revenues from the System ranking prior to or (except in connection with the issuance of Additional Bonds under the Indenture) on a parity with the lien or charge thereon contained in the Indenture, effect a preference or priority of any Bond over any other Bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment. The Indenture does not constitute a mortgage on the System.

The series of Bonds of which this is one is designated "Taxable Water Revenue Bonds, Series 2020-B" and is authorized to be issued in the aggregate principal amount of \$18,475,000 (herein called the "Series 2020-B Bonds").

Those of the Series 2020-B Bonds having stated maturities on September 1, 2030, and thereafter, are subject to redemption and payment, at the option of the Board, as a whole or in part (but if in part, in such maturities as the Board shall designate, and if less than all of the principal of the Series 2020-B Bonds of a single maturity is to be redeemed, the Trustee shall select by lot the principal portion of the Series 2020-B Bonds of such maturity to be redeemed), on March 1, 2030, and on any date thereafter, at and for a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

Those of the Series 2020-B Bonds having stated maturities on September 1, 2021, are also subject to mandatory redemption, but only on the dates and in the amounts set forth in the Indenture (with those to be redeemed to be selected by the Trustee by lot) at and for a redemption price, with respect to each Series 2020-B Bond (or portion thereof) redeemed equal to the principal amount thereof plus accrued interest to the date fixed for redemption, but only to the extent required by the Indenture.

Notice of any redemption of any Series 2020-B Bonds (other than by mandatory redemption) shall be given not more than ninety (90) nor less than thirty (30) days prior to the

date fixed for such redemption by United States First-Class Mail to the holder of any Series 2020-B Bond called for redemption at the address of such holder shown on the registry books of the Trustee pertaining to the Series 2020-B Bonds. In the event that less than all the outstanding principal of a Bond is to be redeemed, there shall be issued to the registered holder thereof, upon the surrender of such Bond to the Trustee, a new Bond of even tenor therewith except in a principal amount equal to the unredeemed portion of the Bond so surrendered, all as shall be requested by the registered holder of the Bond to be partially redeemed.

The principal of and premium (if any) on this bond shall be payable only upon presentation and surrender of this bond at the designated corporate trust office of the Trustee. Interest on the Series 2020-B Bonds is payable by check or draft mailed by the Trustee to the then registered holder thereof at the address shown on the registry books of the Trustee pertaining to the Series 2020-B Bonds as of the close of business on the February 15 or August 15, as the case may be, next preceding the date of payment of such interest. Payment of the interest on the Series 2020-B Bonds shall be deemed timely made if mailed on the interest payment date or, if such interest payment date is not a Business Day (as defined in the Indenture), then on the first Business Day immediately following such interest payment date. The Indenture provides that all payments by the Board or the Trustee to the person in whose name a Series 2020-B Bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same. Any transferee of a Series 2020-B Bond takes it subject to all payments of principal and interest in fact made with respect thereto. Notwithstanding anything herein to the contrary, so long as the Series 2020-B Bonds are subject to the Book-Entry Only System of The Depository Trust Company, payments on the Series 2020-B Bonds shall be made in accordance with the rules and regulations of the Book-Entry Only System.

The Board is a public corporation existing under the provisions of Article 8 of Chapter 50 of Title 11 of the Code of Alabama 1975, as amended, and this bond is authorized to be issued for purposes for which bonds are authorized to be issued under the provisions of said Article 8. The Bonds are not general obligations of the Board, and the covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the Board. Neither the faith and credit of the Board nor any of its taxing powers are pledged or shall ever be used for payment of the principal of or interest (or premium, if any) on the Bonds.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this Series 2020-B Bonds do exist, have been performed and have happened in due and legal form.

This bond is transferable by the registered holder hereof in person, or by duly authorized attorney, only on the registry books of the Trustee pertaining to the Bonds and only upon surrender of this bond to the Trustee for cancellation, and upon any such transfer a new Bond of like tenor hereof will be issued to the transferee in exchange therefor, all as more particularly provided in the Indenture. Each holder, by receiving and accepting this bond, shall consent and agree and shall be estopped to deny that, insofar as the Board and the Trustee are concerned, this bond may be transferred only in accordance with the provisions of the Indenture.

The Trustee shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto; and in the event this bond (or any portion of the principal hereof) is duly called for redemption, the Trustee shall not be required so to transfer or exchange it during the period of fifteen days next preceding the date fixed for such redemption.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the Board has caused this bond to be executed in its name and behalf with the signature of the Chairman of its Board of Directors, has caused its corporate seal to be hereunto impressed, has caused this bond to be attested by the signature of its Secretary, and has caused this bond to be dated March 26, 2020.

THE WATER WORKS BOARD
OF THE CITY OF AUBURN

By _____
Chairman of the Board of Directors

[SEAL]

Attest:

Secretary

(Form of Trustee's Authentication Certificate)

Date of Registration and Authentication:

The within bond is one of those described in the within-mentioned Trust
Indenture.

REGIONS BANK,
as Trustee

By _____
Its Authorized Officer

(Form of Assignment)

For value received, _____ hereby sell(s), assign(s) and transfer(s) unto _____ the within bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, with full power of substitution in the premises, to transfer this bond on the books of the within mentioned Trustee.

DATED this ____ day of _____, ____.

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular, without alteration, enlargement or change whatsoever.

Signature guaranteed:

(Bank, Trust Company, or Firm)*

By _____
(Authorized Officer)

Its Medallion Number: _____

* Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

Section 7.4 Execution and Delivery of the Series 2020 Bonds. The Series 2020 Bonds shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the Board by the Chairman of the Directors, requesting such authentication and delivery and designating the person or persons to receive the same or any part thereof.

Section 7.5 Application of Principal Proceeds from Sale of Series 2020 Bonds. (a) **Series 2020-A Bonds.** The entire proceeds (except for the underwriter's discount in the amount of 100,317.00, which shall be withheld by the underwriter of the Series 2020-A Bonds) derived by the Board from the sale of the Series 2020-A Bonds shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

(i) payment into the Bond Fund of that portion of such proceeds that is allocable to accrued interest (if any);

(ii) payment into the Series 2010 Bonds Escrow Fund of the sum of \$13,604,140.25;

(iii) payment of \$5,800,000 of the said proceeds into a special account of the Board to be used for payment of the costs of the acquisition and construction of the 2020-A Improvements and any remaining costs of issuing the Series 2020-A Bonds; and

(iv) deposit of the balance (\$83,582.05) into a special clearing account to be established with and held by the Trustee (the "2020-A Costs of Issuance Account"), disbursements from which account shall be made by the Trustee for payment of the costs of issuing the Series 2020-A Bonds as directed in writing by the Chairman of the Directors or by the Finance Director; and

(b) **Series 2020-B Bonds.** The entire proceeds (except for the underwriter's discount in the amount of \$109,926.25, which shall be withheld by the underwriter of the Series 2020-B Bonds) derived by the Board from the sale of the Series 2020-B Bonds shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

(i) payment into the Bond Fund of that portion of such proceeds that is allocable to accrued interest (if any);

(ii) payment into the Series 2015 Bonds Escrow Fund of the sum of \$18,278,844.71;

(iii) deposit of the balance (\$86,229.04) into a special clearing account to be established with and held by the Trustee (the "2020-B Costs of Issuance Account"), disbursements from which account shall be made by the Trustee for payment of the costs of issuing the Series 2020-B Bonds as directed in writing by the Chairman of the Directors or by the Finance Director.

Section 7.6 Disposition of Funds and Securities Held in the 2010 Reserve Fund and the 2010 Debt Service Fund Pursuant to the 2010 Indenture. Contemporaneously with the issuance of the Series 2020 Bonds, the securities held for the benefit of the Series 2010 Bonds and the Series 2015 Bonds in the 2010 Reserve Fund and in the 2010 Bond Fund created under the 2010 Indenture shall be liquidated and transferred, deposited and used as set forth in the Escrow Trust Agreement for payment and redemption of Series 2010 Bonds and the Series 2015 Bonds, all as set forth and directed pursuant to the Escrow Trust Agreement or as otherwise directed in writing by the Board to Regions Bank, in its capacity as successor trustee under the 2010 Indenture.

Section 7.7 Book-Entry Only System. The Series 2020 Bonds shall be initially issued in book-entry only form, registered in the name of Cede & Co., the nominee of the Depository Trust Company. So long as the said book-entry only system remains in effect, the provisions of this Indenture, including the provisions governing the registration and exchange of Bonds, places and manner of payment of Bonds, requirements for presentment of Bonds and manner and effect of redemption of Bonds shall be subject to the standard procedures of the Depository Trust Company. The Board may make similar arrangements for issuing any series of Additional Bonds in book-entry only form.

ARTICLE VIII

ADDITIONAL BONDS

Section 8.1 Additional Bonds - In General. In the event the Board desires

- (a) to refund or retire all or any portion of any one or more series of Bonds then outstanding hereunder, or
- (b) to acquire, by construction or otherwise, Capital Improvements (including the providing of funds with which to reimburse the Board for costs incurred by it in the construction or acquisition of Capital Improvements, or to refund any securities of the Board issued for such purposes), or
- (c) to provide for any other lawful expenditure for which the Board may expend funds under the laws of the State of Alabama,

it may at any time and from time to time, if it is not to the actual knowledge of a Responsible Officer of the Trustee in default under the Indenture, issue Additional Bonds for such purpose or purposes, within the limitations of and upon compliance with the provisions of this Article VIII. The Additional Bonds may be in such denomination or denominations, shall bear interest at such rate or rates, shall bear such dates not inconsistent with the provisions hereof, shall mature in such amounts and at such times as are not in conflict with the provisions hereof, shall be in such form and may contain such provisions for redemption prior to maturity and for the providing of special security as described in the final sentence of Section 3.1 hereof, all as may be provided in the Supplemental Indenture under which they are issued; provided that any redemption of

Additional Bonds prior to maturity shall be effected in the manner set forth in and shall be subject to the provisions of Article VI hereof.

Section 8.2 Conditions Precedent to Issuance of Additional Bonds. Prior to the issuance of any of the Additional Bonds, the Board shall deliver to the Trustee those of the Additional Bonds proposed to be issued, duly executed and sealed, accompanied by the following:

(a) **Supplemental Indenture.** A Supplemental Indenture, duly executed, sealed and acknowledged on behalf of the Board and containing the following: (i) a description of the Additional Bonds proposed to be issued, including the date, the aggregate principal amount or maximum aggregate principal amount, the series designation (if any), the interest rate or rates, the maturity or maturities and the form of such Additional Bonds, and any provisions for redemption thereof prior to their respective maturities; (ii) a statement of the purpose or purposes for which the Additional Bonds are proposed to be issued; (iii) in the event that any such Additional Bonds are to be Variable Rate Bonds, a specified maximum interest rate for such Additional Bonds; (iv) in the event that any such Additional Bonds are to be secured by separate or special security in the form of a Credit Facility, a Reserve Fund or other credit or liquidity enhancement, provisions providing for such Credit Facility, Reserve Fund or other credit or liquidity enhancement; and (v) any other provisions that do not conflict with the provisions hereof;

(b) **Proceedings.** A certified copy of the proceedings taken by the Board authorizing the sale and issuance of the Additional Bonds proposed to be issued and the execution and delivery of the Supplemental Indenture providing therefor, reciting the following: (i) that the Board is not at the time in default hereunder and that no such default is imminent; (ii) the series designation (if any) of the Additional Bonds proposed to be issued; (iii) a statement as to which (if any) of such Additional Bonds are to be issued by sale and which (if any) are to be issued by exchange; (iv) the sale price of those (if any) of such Additional Bonds to be issued by sale and the terms upon which those (if any) to be issued by exchange are to be issued; (v) a list of all Additional Bonds previously issued by the Board hereunder and at the time outstanding and of the Supplemental Indentures under which they were issued; (vi) if any of such Additional Bonds are to be issued for the purpose of refunding any Bonds theretofore issued hereunder or other securities of the Board, a brief description of such Bonds or other securities to be so refunded; and (vii) if any of such Additional Bonds are to be issued for the purpose of acquiring, by construction or otherwise, Capital Improvements, or to reimburse the Board for costs incurred by the Board in the acquisition, by construction or otherwise, of Capital Improvements, a brief description of such Capital Improvements;

(c) **Certificate as to Revenues.** The item or items required by either one of the following paragraphs (i), (ii) or (iii):

- (i) A certificate by an Independent Auditor certifying that the amount of the Net System Revenues during the Fiscal Year next preceding the date of the issuance of the Additional Bonds then proposed to be issued was not less than 120% of the Maximum Annual Debt Service Requirement with respect to the Bonds that will be outstanding immediately following the issuance of the then proposed Additional Bonds; or
- (ii) A Resolution or Resolutions adopted after the commencement of the Fiscal Year next preceding the issuance of the then proposed Additional Bonds, establishing (1) a revised schedule of rates for water services furnished from the System, or (2) a revised schedules of rates for water service from the System accompanied by a certificate by an Independent Engineer stating that if the revised schedule or schedules of rates set forth in the said Resolution had been in effect throughout the Fiscal Year next preceding the date of issuance of the Additional Bonds then proposed to be issued, the amount of the Net System Revenues during the said Fiscal Year would have been not less than 120% of the Maximum Annual Debt Service Requirement with respect to the Bonds that will be Outstanding immediately following the issuance of the then proposed Additional Bonds; provided however, that such certificate by an Independent Engineer shall be accompanied by and shall recite that it is based, inter alia, upon an examination by the said Independent Engineer of a certificate by an Independent Auditor certifying the amount of the Net System Revenues during the Fiscal Year next preceding the date of issuance of the then proposed Additional Bonds; or
- (iii) In the event any of the Additional Bonds proposed to be issued are to be issued for the purpose of acquiring or constructing Capital Improvements, a certificate by an Independent Auditor certifying the Net System Revenues during the Fiscal Year next preceding the date of issuance of the Additional Bonds proposed to be issued, together with a certificate of an Independent Engineer estimating the date of completion of the Capital Improvements and the additional Net System Revenues to be received during each of the three Fiscal Years immediately following the said estimated date of completion as a result of the acquisition or construction of the Capital Improvements and stating that the amount of

the Net System Revenues as certified plus the additional Net System Revenues as estimated by the said Independent Engineer in each of such three Fiscal Years is not less than 130% of the Maximum Annual Debt Service Requirement with respect to the Bonds that will be Outstanding immediately following the issuance of the then proposed Additional Bonds.

The item or items required by the foregoing provisions of this subsection (c) shall not be required in the case of the issuance of Additional Bonds for the purpose of refunding any Bonds then outstanding under the Indenture if there is delivered to the Trustee a certificate of the Chairman or Secretary of the Board certifying that the Maximum Annual Debt Service Requirement with respect to the Bonds that will be Outstanding immediately following the issuance of the then proposed Additional Bonds will be no higher than the Maximum Annual Debt Service Requirement with respect to the Bonds then Outstanding.

For purposes of computing Net System Revenues for purposes of paragraphs (i), (ii) or (iii) of this Section 8.2(c), there shall be deducted from Operating Expenses for any Fiscal Year such amounts that an Independent Auditor shall certify based upon a certificate from an Independent Engineer would not have been incurred had the Capital Improvement proposed for construction with proceeds of the proposed Additional Bonds been in operation during said Fiscal Year.

(d) **Opinion of Independent Counsel.** An opinion dated on the date of issuance of such Additional Bonds, signed by Independent Counsel (which may be Bond Counsel) approving the forms of all documents required in the preceding portions of this section to be delivered to the Trustee and reciting that they comply with the applicable requirements of this article.

Upon receipt of the documents required by the provisions of this section to be furnished to it, the Trustee shall thereupon execute the Supplemental Indenture so presented, and it shall further authenticate the Additional Bonds with respect to which the said documents shall have been submitted and deliver the Additional Bonds so authenticated to the person or persons to whom the proceedings provided for in subsection (b) of this section directed such Additional Bonds to be delivered.

Section 8.3 Credit Facility for Additional Bonds. The Board may, in connection with the issuance of any series of Additional Bonds (and in addition to all other rights of the Board in connection with issuance of Additional Bonds, including, without limitation, the right of the Board pursuant to Section 3.1 hereof to establish a Reserve Fund for any or all such Additional Bonds),

- (a) provide a Credit Facility therefor,
- (b) enter into such agreements as are necessary and appropriate with a Credit Facility Obligor providing, inter alia, for (i) the payment of the fees and

expenses of such Credit Facility Obligor, which fees and expenses shall be payable out of the proceeds from the sale of such Additional Bonds or as an Operating Expense, as appropriate and (ii) the terms and conditions of such Credit Facility and any security to be provided for such Credit Facility and for the payment of the obligations of the Board with respect thereto,

(c) secure any of its obligations with respect to such Credit Facility by an agreement providing for the purchase of any Bonds secured thereby, with such adjustments as to interest rates, methods of determination of interest, maturities or redemption provisions as shall be specified by the Board in the applicable Supplemental Indenture,

(d) incur a Reimbursement Obligation which may be secured by a lien or charge on the revenues from the system subordinate to the lien or charge thereon created hereby for the benefit of the Bonds,

(e) provide, in any such agreement and in the appropriate Supplemental Indenture, that for the purpose of giving consents, receiving notices and certain specified other purposes, such Credit Facility Obligor shall be deemed to be the Holder of all Bonds secured by such Credit Facility, and

(f) provide in any such agreement and in the appropriate Supplemental Indenture that the maturity of the Bonds secured by such Credit Facility may not be accelerated without the consent of the Credit Facility Obligor issuing such Credit Facility.

ARTICLE IX

RESERVED

ARTICLE X

DISPOSITION OF REVENUES FROM THE SYSTEM AND CREATION OF SPECIAL FUNDS

Section 10.1 Revenue Fund. There is hereby created a special trust fund, the full name of which shall be the System Revenue Fund (the "Revenue Fund"). The Board will deposit or cause to be deposited into the Revenue Fund all revenues derived from operation of the System. The Board will pay, out of the revenues derived from the operation of the System on deposit in the Revenue Fund, all Operating Expenses, as payment for the said expenses becomes due. On or prior to each Interest Payment Date, moneys on deposit in the Revenue Fund shall be withdrawn by the Board and disbursed as follows:

(a) The Board will pay into the Bond Fund, out of the revenues on deposit in the Revenue Fund remaining after payment of Operating Expenses for which payment is then due and after compliance in full with the provisions of the 2010 Indenture, the sum provided in Section 10.2 to be paid into the Bond Fund to cover the amount due on such Interest Payment Date; and

(b) When no delinquency exists with respect to the payments provided for in subsection (a) immediately above, the revenues derived from the operation of the System remaining on deposit in the Revenue Fund may be withdrawn by the Board and used for any lawful purpose, and upon such withdrawal shall not be subject to the lien of this Indenture.

Section 10.2 Bond Fund. There is hereby created a special trust fund, the full name of which shall be the "Bond Principal and Interest Fund." There shall be paid into the Bond Fund, in addition to all other amounts herein required to be paid therein, the following:

(a) Contemporaneously with the issuance and sale of any of the Bonds and out of the proceeds derived from such sale, the Board (or the Trustee on behalf of the Board) will pay into the Bond Fund such part of the proceeds from said sale as is allocable to accrued interest.

(b) Prior to each Interest Payment Date, the Board will pay into the Bond Fund, out of the revenues derived from the operation of the System on balance in the Revenue Fund an amount equal to the sum of the principal of and the interest on the Bonds that will mature or that will be subject to a Mandatory Redemption Requirement on such Interest Payment Date; provided, however, that there shall be credited on the payments due under this subparagraph (b) (1) all amounts paid into the Bond Fund pursuant to the provisions of the preceding subsection (a) of this section, and (2) all amounts deposited into the Bond Fund from the principal proceeds from the sale of Bonds that have not theretofore been credited on previous payments due into the Bond Fund hereunder.

There shall also be credited on the payments due under this Section to be made into the Bond Fund all earnings on investments made pursuant to the provisions of Section 10.7 hereof to the end that all moneys held in the Bond Fund shall be paid out for purposes for which the Bond Fund was created within thirteen (13) months from the date such moneys first become available for such purposes. The Trustee shall promptly notify the Board of the receipt of such earnings and the amount thereof.

All moneys paid into the Bond Fund shall be used only for payment of the principal of and the interest on the Bonds upon or after the respective maturities of such principal and interest and to redeem Bonds subject to a Mandatory Redemption Requirement; provided, however, (1) in the event that the principal, interest or premium due on any of the Bonds (whether at maturity, by redemption or otherwise) is paid to the Trustee on behalf of the Holders of such Bonds or directly to such Holders, out of the proceeds of a Credit Facility, and funds for the payment of all or a portion of such principal, interest or premium shall have been deposited into the Bond Fund pursuant to this section, the Trustee shall pay the amount so deposited, to the extent of any such payment pursuant to a Credit Facility, to the Credit Facility Obligor issuing such Credit Facility in satisfaction of any Reimbursement Obligation with respect thereto; and (2) if at the final maturity of the Bonds, however the same may mature, there shall be in the Bond Fund moneys in excess of what shall be required to pay in full the principal of and the interest on the Bonds, then any such excess shall thereupon be returned to the Board. Whenever the amount of moneys on deposit in the Bond Fund equals or exceeds the aggregate of the principal and interest then remaining unpaid with respect to the Bonds, no further payments need be made into the Bond Fund except to make good moneys paid therein which may have become lost or which may not be immediately available for withdrawal under the provisions of this section.

The Trustee will take such action as may be necessary, under the provisions of Article VI hereof, to effect the redemption, on the next succeeding Principal Payment Date, of the principal amount of Bonds, if any, required to be redeemed on such Principal Payment Date pursuant to any Mandatory Redemption Requirement.

Anything in this Section to the contrary notwithstanding, the Board will make the payments required to be made in this Section into the Bond Fund out of revenues derived from the operation of the System on balance in the Revenue Fund at such times as will result in there being on deposit in the Bond Fund at least three days prior to each Principal Payment Date an amount equal to the principal, if any, maturing or required to be redeemed pursuant to any Mandatory Redemption Requirement, on such Principal Payment Date, and at least three days prior to each Interest Payment Date an amount equal to the interest, if any, maturing on such Interest Payment Date.

Section 10.3 Replenishment of Any Reserve Fund. In the event that, in a Supplemental Indenture authorizing the issuance of a series of Additional Bonds, the Board creates a Reserve Fund for such Additional Bonds and such Supplemental Indenture contains provisions relating to the funding or replenishment of such Reserve Fund or the reimbursement of issuers of a reserve fund credit facility with respect to such Reserve Fund, the payment obligations of the Board with respect to such Reserve Fund shall be satisfied only after compliance with Section 10.1 and 10.2 hereof, and shall be on parity with the payment obligations of the Board with respect to each other Reserve Fund, and if the amount on deposit in

the Revenue Fund, after compliance with Section 10.1 and 10.2 hereof, is not sufficient to fund all such payments with respect to each such Reserve Fund, the said amount in the Revenue Fund shall be applied pro rata according to the respecting amounts which the Board is required to pay with respect to each such Reserve Fund.

Section 10.4 Making Good any Deficit in Payments. After compliance with the then applicable provisions of Sections 10.1, 10.2 and 10.3 hereof, the balance of funds derived from the operation of the System on balance in the Revenue Fund remaining in the Revenue Fund shall, to the extent necessary, be paid into the Bond Fund for the purpose of making good any delinquency or deficit existing in any of said funds by reason of failure to pay therein any amounts required to be paid therein by the provisions of Sections 10.2 of this Indenture.

Section 10.5 Surplus Revenues. At any time when all payments herein provided to be made into the Bond Fund are current and said fund is in a current condition, the balance remaining on deposit in the Revenue Fund may be withdrawn by the Board and applied for any lawful purpose.

Section 10.6 Security for Special Funds. The revenues derived from the operation of the System at any time on deposit in the Revenue Fund and the funds on deposit in the Bond Fund shall be and at all times remain public funds impressed with a trust for the purposes for which said account and funds are respectively created. The depository for each such account and fund shall at all times keep the moneys on deposit in the account, fund or funds for which it is depository continuously secured, for the benefit of the Board and the Holders of the Bonds, either

- (a) by holding on deposit, as collateral security, Federal Securities, or other marketable securities eligible as security for the deposit of trust funds under regulation of the Comptroller of the Currency, having a market value (exclusive of accrued interest) not less than the amount of moneys on deposit in the account or fund being secured, or
- (b) if the furnishing of security in the manner provided by the foregoing clause (a) of this section is not permitted by the then applicable laws and regulations, then in such other manner as may be required or permitted by the then applicable state and federal laws and regulations respecting the security for, or granting a preference in the case of, the deposit of trust funds;

provided, however, that it shall not be necessary for any such depository so to secure any portion of the moneys on deposit in any such account or fund that is insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions or that is invested in Eligible Investments pursuant to the provisions of Section 10.7 hereof.

Section 10.7 Investment of Bond Fund and Revenue Fund. (a) The Trustee shall, to the extent practicable, cause all moneys on deposit in the Bond Fund to be kept continuously invested in Federal Securities, or money market funds whose investments are restricted to Federal Securities, having stated maturities, or being redeemable at the option of the holder at a

stated price and time, not later than the date that such moneys shall, under the terms hereof, be needed to pay the principal and interest maturing with respect to the Bonds or the Redemption Price of any herein required to be redeemed on such date. Such securities, together with all income therefrom, shall become a part of the fund which moneys were used to make such investment to the same extent as if they were moneys on deposit therein. The Trustee may at any time and from time to time, as in its sole discretion it deems desirable, cause any such securities to be sold or otherwise converted into cash and shall cause such securities to be sold or converted into cash if and to the extent that such sale or conversion is necessary to obtain moneys to prevent a default in payment of the principal of and the interest on the Bonds. The net proceeds from the sale or other conversion into cash of any securities forming a part of the Bond Fund shall be paid into and become a part of the Bond Fund. In making any investment provided for in this paragraph, the Trustee shall, to the extent practicable, follow the written instructions of an Authorized Representative as to the selection and terms of such investment. The Trustee shall have no liability for any loss resulting from investments made under the Indenture except liability for its own negligence or willful misconduct.

(b) The Board may, at any time and from time to time while it is not in default hereunder, withdraw all or any part of the moneys on deposit in the Revenue Fund for the purpose of causing such moneys to be invested in any securities in which the Board is authorized to invest its funds and having stated maturities, or being redeemable at the option of the holder at a stated price and time, prior to the date when it is anticipated by the Board that such funds will be needed. Any such securities, together with all income therefrom, shall become a part of the Revenue Fund and shall be held by the depository for such account or fund to the same extent as if they were moneys on deposit in such account or fund.

The Trustee and the Board shall be fully protected in making any investment, sale or conversion in accordance with the provisions of this section, and in the event any moneys in the Revenue Fund or the Bond Fund shall be invested as authorized in this section, it shall not be necessary for the depository therefor to secure any such investment (in any case where security for such moneys might otherwise be required) so long as such moneys shall remain so invested. In any determination of the amount of moneys at any time forming a part of the Bond Fund, all such securities in which any portion thereof is at the time so invested shall be included in the fund from which moneys were used to make such investment at market value.

Section 10.8 Depository for Bond Fund. The Trustee shall at all times be the depository, custodian and disbursing agent for the Bond Fund; and all moneys herein required to be paid into any of said funds shall be remitted to the Trustee. Out of the moneys deposited with it in the Bond Fund or transferred thereto, the Trustee shall make provision for payment of the principal of and interest on the Bonds as the same shall respectively mature and for the redemption of Bonds subject to a Mandatory Redemption Requirement.

Section 10.9 Depository for Revenue Fund. The Board may at any time and from time to time designate any one or more banking institutions as a depository for the Revenue Fund, provided that such depository so designated shall at all times while acting as such be and remain a member of the Federal Deposit Insurance Corporation or of any agency of the United States of America that may succeed to its functions, if there be any such, and shall be and remain duly qualified and doing business in the State of Alabama. Each such depository shall be fully

protected in paying out moneys from the Revenue Fund on checks, vouchers or drafts signed by any duly authorized officer or employee of the Board, and no such depository shall be liable for the misapplication by the Board of any moneys so withdrawn if such moneys shall be so withdrawn without knowledge or reason on the part of such depository to believe that such disbursement constitutes a misapplication of funds.

Section 10.10 Continuance of Special Funds. The special account and fund created in this Article X shall be continued until all of the Bonds shall have been paid or surrendered for cancellation or until provision for such payment has been made in the manner contemplated by Section 16.1 hereof.

ARTICLE XI

PARTICULAR COVENANTS OF THE BOARD

Section 11.1 To Pay Bonds. The Board will pay, out of the revenues derived from the operation of the System, the principal of and the interest (and premium, if any) on the Bonds as specified therein, and it will otherwise perform all obligations which, either expressly or by reasonable implication, are imposed on it in the Indenture and it will not default hereunder.

Section 11.2 To Maintain Proper Books and Records. The Board will maintain complete books and records pertaining to the System and all receipts and disbursements with respect thereto, which shall be kept separate and apart from all other records of the Board.

Section 11.3 To Furnish Annual Audits. The Board will operate the System on a Fiscal Year basis, each Fiscal Year. The Board will, within two hundred seventy (270) days following the close of each such Fiscal Year, cause an audit of its books respecting the System for such Fiscal Year to be made by an Independent Auditor. All expenses incurred in the making of such audits shall constitute and be paid as an Operating Expense. Within ten Business Days following receipt of each such audit report, the Board will furnish a copy thereof to the Trustee.

Section 11.4 To Furnish No Free Service. To Maintain Uniform Rates. The Board will not furnish or permit to be furnished from the System free water service to any person, firm or corporation whatsoever unless such free service is determined to be necessary by the Board to promote economic development within the City of Auburn or other areas within the City of Auburn's jurisdiction. The rates for all water and other services furnished from the System shall be uniform with respect to each class of customers.

Section 11.5 To Maintain Adequate Rates. To the extent permitted by Alabama law, the Board will make and maintain such rates and charges for the water service supplied from the System and will make collections from the users thereof in such manner as shall produce amounts sufficient to produce Net System Revenues during each Fiscal Year at least equal to 110% of the Maximum Annual Debt Service Requirement in each such Fiscal Year. To the extent permitted by Alabama law, the Board will from time to time make such increases and other changes in such rates and charges as may be necessary to produce said amounts.

Section 11.6 To Discontinue Service on Non-Payment of Bills. To the extent permitted by Alabama law, if the account of any user of water service supplied from the System shall remain unpaid for a period of one hundred twenty (120) days after such account shall become due, the Board will promptly discontinue furnishing water service to such user whose account shall remain so unpaid, unless extreme weather, medical necessity, or other mitigating circumstances, in the sole discretion of the Board, merit otherwise, in which case an additional ninety (90) days or longer may be allowed for such customers.

Section 11.7 To Respect Priority of Pledge of Revenues. The pledge of revenues from the operation of the System herein made shall be prior and superior to any pledge thereof hereafter made for the benefit of any securities hereafter issued or any contract hereafter made by

the Board, other than Additional Bonds issued under the provisions of Article VIII hereof, and the Board agrees that in the event it should hereafter issue any securities or make any contract payable out of the revenues from the operation of the System, other than such Additional Bonds, or for which any part of said revenues may be pledged or any part of the System may be mortgaged, the Board will recognize in the proceedings under which any such securities or contract are hereafter authorized the priority of the pledge of said revenues herein made for the benefit of the Bonds.

Section 11.8 Not To Sell or Lease System Except Under Certain Conditions. To Keep System in Repair. The Board will not hereafter sell or lease the whole or any integral part of the System until all of the Bonds have been paid in full or unless and until provision for such payment has been made; provided, however, that the Board may sell or lease portions of the System if there is delivered to the Trustee a certificate of the Chairman of the Directors to the effect that such sale or lease will not have a material adverse effect on the production of revenues from the System. The Board will continuously operate the System or cause the same to be operated so long as any of the Bonds remain unpaid, and it will keep the same in good repair and in efficient operating condition, making from time to time all needful repairs and replacements thereto and thereof. If the laws of Alabama at the time shall permit such action to be taken, nothing contained in this section shall prevent the consolidation of the Board with, or merger of the Board into, any county, municipal corporation or public corporation having corporate authority to carry on the business of operating the System, or the transfer by the Board of the System as an entirety to another county, municipal corporation or public corporation whose properties and income are not subject to taxation; provided, that upon any such consolidation, merger or transfer, the due and punctual payment of the principal of and the interest on the Bonds according to their tenor and the due and punctual performance and observance of all the agreements and conditions of the Indenture to be kept and performed by the Board shall be expressly assumed in writing by the county, municipal corporation or public corporation resulting from such consolidation or surviving such merger or to which the System shall be transferred as an entirety, and provided, further, that such consolidation, merger or transfer shall not cause or result in any lien being affixed to or imposed on or becoming a lien on the revenues from the System that will be prior to the lien of the pledge herein made for the benefit of the Bonds or in any foreclosable mortgage becoming a lien on the System or in the interest income on the Bonds, as a result of such action, becoming subject to federal or Alabama income taxation. The Board will not itself subject the System to the lien of a foreclosable mortgage until the principal of and the interest on all the Bonds are paid in full or unless and until provision for such payment shall have been made. Nothing herein contained shall be construed to prevent the Board from disposing of any properties that are obsolete, worn out or no longer needed or useful in the operation of the System.

Section 11.9 To Keep System Free from Prior Liens. The Board will keep the System free from all liens and encumbrances prior to the pledge hereof (other than Permitted Encumbrances) but it may defer payment pending the bona fide contest of any claim unless the Trustee shall be of the opinion (which may be based on the advice of its counsel) that by such action any part of the System shall be subject to loss or forfeiture, in which event any such payment then due shall not be deferred. Nothing herein contained shall be construed to prevent the Board from hereafter purchasing additional property on conditional or lease sale contract or subject to vendor's lien or purchase money mortgage, and, as to all property so purchased, the

pledge herein made shall be subject and subordinate to such conditional or lease sale contract, vendor's lien or purchase money mortgage.

Section 11.10 To Repay Advances, Etc., by Trustee. The Board will discharge, pay or satisfactorily provide to the Trustee all liabilities, expenses and advances reasonably incurred, disbursed or made by the Trustee in the execution of the trusts hereby created, and it will from time to time pay to the Trustee reasonable compensation for the Trustee's services hereunder, including extra compensation for unusual or extraordinary services. All such liabilities, expenses, advances and compensation shall be secured hereby, shall be entitled to priority of payment over any of the Bonds and shall bear interest until paid at a per annum rate of interest equal to the lesser of (i) the Base Rate plus 2% or (ii) the highest amount then allowed by law, from the respective dates on which such liabilities, expenses and advances are incurred, disbursed or made, and on which such compensation shall be earned.

Section 11.11 To Permit Inspection of System by Trustee. The Board will permit the Trustee to inspect, at any reasonable time, any and every part of the System and the books and records of the Board appertaining thereto and will assist in furnishing facilities for such inspection.

Section 11.12 To Warrant Title. The Board warrants its title to each and every part of the System presently in existence as being free and clear of every lien, encumbrance, trust or charge prior hereto, other than Permitted Encumbrances, and warrants that it has power and authority to subject the System and the revenues therefrom to the lien of the pledge herein made and that it has done so hereby.

Section 11.13 To Grant Further Assurances. The Board will, upon reasonable request, execute and deliver such further instruments and do such further acts as may be necessary or proper to carry out more effectually the purpose of this Indenture, and in particular (without in any way limiting the generality of the foregoing) to make subject to the pledge herein made the revenues from any property hereafter acquired by it for use as a part of the System, and to transfer to any successor trustee or trustees the assets, powers, instruments and funds held in trust hereunder and to confirm the Indenture with respect to any Bonds issued hereunder. No failure to request such further instruments or further acts shall be deemed a waiver of any right to the execution and delivery of such instruments or the doing of such acts or be deemed to affect the interpretation of any provision of the Indenture.

Section 11.14 Concerning Preservation of Tax-Exempt Status of Series 2020 Bonds. The Board will (a) in a timely manner, make all required rebate payments on the Series 2020 Bonds required by the provisions of Section 148(f) of the Code and any applicable regulations and take such other action as shall be necessary, under the provisions of the Code and any applicable regulations, to preserve the exemption of the interest on the Series 2020 Bonds from gross income of the recipients thereof for federal income tax purposes, and (b) refrain from taking any action that would, under the Code and any applicable regulations, result in the interest on the Series 2020 Bonds being or becoming subject to gross income of the recipients thereof for federal income tax purposes. Further, and without in any way limiting the generality of the foregoing,

- (i) the Board will not apply the proceeds from the Series 2020-A Bonds in a manner that would cause the Series 2020-A Bonds to be a "private activity bond" within the meaning of Section 141(a) of the Code;
- (ii) the Board will not make any investment of any moneys on deposit in any of the special funds created under the Indenture if, as a result thereof, the Series 2020-A Bonds would be considered an "arbitrage bond" within the meaning of Section 103(b)(2) and 148 of the Code and any applicable regulations.

Section 11.15 Defeasance and Discharge of the 2010 Indenture. Regions Bank, in its capacity as the 2010 Indenture Trustee, does hereby covenant and agree that, upon the issuance of the Series 2020 Bonds and satisfaction of the conditions set forth in Section 15.1 of the 2010 Indenture so that the Series 2010 Bonds and the Series 2015 Bonds are "deemed to have been paid" pursuant to the 2010 Indenture, to execute such documents, instruments or certificates as shall be necessary or desirable to cancel, satisfy and discharge the 2010 Indenture.

ARTICLE XII

PROVISIONS RESPECTING INSURANCE

Section 12.1 Insurance on Physical Properties. The Board will maintain insurance with respect to the property and activities associated with the ownership and operation of the System customary for water works plant and distribution systems, which insurance may include self-insurance for liability, workmen's compensation and health care.

Section 12.2 Premiums To Be Operating Expense. The premiums payable on all insurance required to be carried by the provisions hereof shall constitute a part of the expense of operating the System.

ARTICLE XIII

EVENTS OF DEFAULT AND REMEDIES OF TRUSTEE AND BONDHOLDERS

Section 13.1 Events of Default Defined. Any of the following shall constitute default hereunder by the Board:

- (a) The failure by the Board to pay the principal of, the interest on or the premium (if any) on any Bond as and when the same become due as therein and herein provided (whether such shall become due by maturity or otherwise);
- (b) The failure by the Board to commence the repair or replacement of any property forming a part of the System that may be damaged or destroyed and that is necessary to the continued and efficient operation of the System, within one hundred twenty days after the occurrence of such damage or destruction;
- (c) The sale, lease or other disposition by the Board of the System or any integral part thereof in violation of any provisions of the Indenture;
- (d) The failure by the Board to perform and observe any of the agreements and covenants on its part herein contained (other than in the manner described in (a), (b) and (c) above) which such failure continues for a period of not less than thirty (30) days after written notice of such failure has been given to the Board by the Trustee or by the Holders of not less than 25% in Outstanding Amount of the Bonds then outstanding and secured hereby, unless during such period or any extension thereof the Board has commenced and is diligently pursuing appropriate corrective action; or
- (e) The determination by a court having jurisdiction that the Board is insolvent or bankrupt, or appointment by a court having jurisdiction of a receiver for the System or for a substantial part thereof, or approval by a court of competent jurisdiction of any petition for reorganization of the System or rearrangement or readjustment of the obligations of the Board under any provisions of the bankruptcy laws of the United States.

Section 13.2 Remedies on Default. Upon any default in any one of the ways defined in the preceding Section 13.1 hereof, the Trustee shall have the following rights and remedies:

- (a) **Acceleration.** The Trustee may, by written notice to the Board, declare the Outstanding Amount of and the interest accrued on all the Bonds forthwith due and payable, and such Outstanding Amount and interest shall thereupon become and be immediately due and payable, anything herein or in the Bonds to the contrary notwithstanding; provided, however, that a Supplemental Indenture authorizing a series of Additional Bonds secured in whole or in part by a Credit Facility may provide that the right of the Trustee to accelerate the

maturity of the Bonds of that series (or the portion thereof secured by such Credit Facility) is subject to the consent of the Credit Facility Obligor issuing such Credit Facility. If, however, the Board makes good that default and every other default hereunder (except for those installments of Outstanding Amount and interest declared due and payable that would, absent such declaration, not be due and payable), with interest on all overdue payments of Outstanding Amount and interest, and makes reimbursement of all the reasonable expenses of the Trustee, then the Trustee may (and, if requested in writing by the Holders of a majority in Outstanding Amount of the then outstanding Bonds, shall), by written notice to the Board, waive such default and its consequences, but no such waiver shall affect any subsequent default or right relative thereto.

(b) **Suits at Law or in Equity.** The Trustee is empowered (i) to sue on the Bonds, (ii) by mandamus, suit or other proceeding, to enforce all agreements of the Board herein contained, including the fixing of rates, the collection and proper segregation of the revenues from the System and the proper application thereof, (iii) by action or suit in equity, to require the Board to account as if it were the trustee of an express trust for the Holders of the Bonds, and (iv) by action or suit in equity, to enjoin any action or things which may be unlawful or a violation of the rights of the Holders of the Bonds.

(c) **Receivership.** The Trustee shall be entitled to and shall have, regardless of the sufficiency of any security or the availability of any other remedy, the appointment of a receiver to oversee and administer the collection and application of revenues from the System.

Nothing herein contained, however, shall be construed to give any authority to the Trustee or the Holders of any of the Bonds to compel a sale of the System or any part thereof, and no foreclosure proceedings or sale shall ever be had under the authority of this Indenture with respect to the System or any part thereof.

Section 13.3 Disposition of Receivership Moneys. All moneys received from the operation of the System by a receiver shall, after payment of all costs of the receivership, including receiver's fees and the fees and expenses of his attorney, the costs of administration and operation of the System and the maintenance thereof in good repair and all charges and expenses of the Trustee under the Indenture, be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, 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, with interest on overdue installments of interest, and, if the amount available shall not be sufficient to pay in full any particular installment plus said interest thereon, then to the payment ratably, according to the amounts due on such installments and with respect to said

interest, the persons entitled thereto, without any discrimination or privilege;

SECOND: to the payment to the persons entitled thereto of the unpaid Outstanding Amount of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of the maturities of such Outstanding Amount and premium, with interest on overdue installments of Outstanding Amount and premium, if any, and, if the amount available shall not be sufficient to pay in full all such Outstanding Amount (and premium, if any) due on any particular date, together with such interest, then to the payment of such Outstanding Amount, premium (if any) and interest ratably, without any discrimination or privilege;

THIRD: to fund or replenish any deficiency in a Reserve Fund or reimburse issuers of reserve fund credit facilities in the event that a Supplemental Indenture authorizing the issuance of a series of Additional Bonds includes a Reserve Fund for such Additional Bonds and contains provisions requiring payment or replenishment of such Reserve Fund or the reimbursement of issuers of credit facilities with respect to such Reserve Fund; and

FOURTH: the surplus, if any there be, into the Bond Fund, to such extent as will result in there being on deposit therein the amount at the time required to be maintained therein, or in the event the Bonds have been fully paid, to the Board or to whomsoever may be entitled thereto.

(b) If the Outstanding Amount of all the Bonds shall have become or been declared due and payable, all such moneys shall be applied as follows:

FIRST: to the payment of the Outstanding Amount and interest then due and unpaid upon the Bonds (with interest on overdue Outstanding Amount and interest), without preference or priority of Outstanding Amount over interest or of interest over Outstanding Amount, 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 Outstanding Amount and interest, to the persons entitled thereto without any discrimination or privilege; provided, however, that if the Outstanding Amount of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded under the provisions of Section 13.2 hereof, then, subject to the provisions of this subsection (b) in the event that the Outstanding Amount of all the Bonds shall later become or be declared due and payable, such moneys shall be applied in accordance with the provisions of subsection (a) of this Section 13.3, and

SECOND: the surplus, if any there be, to the Board or to whomsoever may be entitled thereto.

Whenever moneys are to be applied pursuant to the provisions of this Section 13.3, such moneys shall be applied at such time or times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the Outstanding Amount and interest to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 13.4 Remedies Vested in Trustee. All remedies hereunder are vested exclusively in the Trustee for the equal and pro rata benefit of all the Holders of the Bonds, unless the Trustee refuses or neglects to act within a reasonable time after written request so to act addressed to the Trustee by the Holders of a majority in Outstanding Amount of Bonds, accompanied by indemnity reasonably satisfactory to the Trustee, in which event the Holder of any of the Bonds may thereupon so act in the name and behalf of the Trustee or may so act in his own name in lieu of action by or in the name and behalf of the Trustee. Except as above provided, no Holder of any of the Bonds shall have the right to enforce any remedy hereunder, and then only for the equal and pro rata benefit of the Holders of all the Bonds.

Notwithstanding any other provisions hereof, the right of the Holder of any Bond, which is absolute and unconditional, to receive payment of the principal of and the interest (and premium, if any) on such Bond on or after the due date thereof, but solely from the revenues from the System as therein and herein expressed, or to institute suit for the enforcement of such payment on or after such due date, or the obligation of the Board, which is also absolute and unconditional, to pay, but solely from said proceeds and revenues, the principal of and the interest (and premium, if any) on the Bonds to the respective Holders thereof at the time and place in said Bonds expressed, shall not be impaired or affected without the consent of such Holder; provided, however, that no Holder shall be entitled to take any action or institute any such suit to enforce the payment of his Bonds, whether for principal, interest or premium, if and to the extent that the taking of such action or the institution or prosecution of any such suit or the entry of judgment therein would under applicable law result in a surrender, impairment, waiver or loss of the lien hereof upon the revenues from the System, or any part thereof, as security for the Bonds held by any other Holder.

When the Trustee incurs costs or expenses (including the fees and expenses of its counsel) or renders services after the occurrence of an event of default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 13.5 Delay No Waiver. No delay or omission by the Trustee or by any Holder to exercise any available right, power or remedy hereunder shall impair or be construed a waiver thereof or an acquiescence in the circumstances giving rise thereto; every right, power or remedy given herein to the Trustee or to the Holders may be exercised from time to time and as often as deemed expedient.

Section 13.6 Remedies Cumulative. No remedy herein provided for, or herein reserved to the Trustee or to the Holders of the Bonds, is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

ARTICLE XIV

CONCERNING THE TRUSTEE

Section 14.1 Acceptance of Trusts. The Trustee, prior to the occurrence of an event of default and after the curing of all events of default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations should be read into this Indenture against the Trustee. If any event of default under this Indenture shall have occurred and be continuing, the Trustee shall perform such duties and exercise such rights and powers vested in it by this Indenture and shall use the same degree of care as a prudent person would exercise or use in the circumstances in the conduct of such prudent person's own affairs, subject to the following terms and conditions:

- (a) It shall not be liable hereunder except for its willful misconduct or its negligence.
- (b) It may execute any of the trusts and powers conferred on it hereunder or perform any duty hereunder either directly or through agents and attorneys in fact who are not regularly in its employ and who are selected by it with reasonable care.
- (c) It may consult Counsel on any matters connected herewith and shall not be answerable for any action taken or failure to take any action in good faith on the advice of Counsel, provided that its action or inaction is not contrary to any express provision hereof.
- (d) It need not recognize a Holder of a Bond as such without the satisfactory establishment of his title to such Bond.
- (e) It shall not be answerable for any action taken in good faith on any notice, request, consent, certificate or other paper or document which it believes to be genuine and signed or acknowledged by the proper party.
- (f) It need not notice any default hereunder, except a default in the payment of the principal of and the interest (and premium, if any) on the Bonds, unless requested so to do by the Holders of 25% in Outstanding Amount of Bonds.
- (g) In the event of default by the Board hereunder, the Trustee need not exercise any of its rights or powers specified in Section 13.2 hereof or take any action under said Section 13.2 unless requested in writing so to do by the Holders of a majority in Outstanding Amount of Bonds; it may exercise any such rights or powers or take any such action, if it thinks advisable, without any such request; it shall do so when so requested; provided that the furnishing of indemnity, reasonably satisfactory to the Trustee, against its prospective liabilities and expenses (including the fees and expenses of its counsel) by the Holders requesting any action by the Trustee under said Section 13.2 shall be a condition

precedent to the duty of the Trustee to take or continue any action under said Section 13.2 which in the opinion of the Trustee would involve it in any such liabilities or expenses. Whenever it has a choice of remedies under said Section 13.2 or a discretion as to details in the exercise of its powers thereunder, it must follow any specific directions given by the Holders of a majority in Outstanding Amount of Bonds, anything therein or herein to the contrary notwithstanding, unless the observance of such directions would, in the opinion of the Trustee (as evidenced by an opinion of its counsel), unjustly prejudice the non-assenting Holders.

(h) It shall be entitled to reasonable compensation for its services hereunder, including extra compensation for unusual or extraordinary services.

(i) Any action taken by the Trustee at the request of and with the consent of the Holder of a Bond will bind all subsequent Holders of the same Bond and any Bond issued hereunder in lieu thereof.

(j) It may be the Holder of Bonds as if not Trustee hereunder.

(k) It shall not be liable for the proper application of any moneys other than those that may be paid to or deposited with it.

(l) It shall not unreasonably withhold or delay any consent or approval required of it under the provisions hereof.

(m) All moneys received by the Trustee to be held by it hereunder shall be held as trust funds until disbursed in the manner herein provided therefor. The Trustee shall not be liable to pay or allow interest thereon or otherwise to invest any such moneys except as specifically required herein.

(n) It may make any investments permitted hereby through its own investment department or its affiliates and may charge its ordinary and customary fees for such trades, and any certificates of deposit issued or held by it hereunder shall be deemed investments and not deposits. The Trustee may conclusively rely upon the Board's written instructions as to both the suitability and legality of the directed investments. Ratings of investments shall be determined at the time of purchase of such investments and without regard to ratings subcategories. The Trustee shall have no responsibility to monitor the ratings of investments after the initial purchase of such investments. In the absence of written investment instructions from the Board, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested. Confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered and, unless otherwise requested by the Board, no statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

(o) It shall, upon reasonable written request, advise the Board of the amount at the time on deposit in any of the special funds or accounts herein created.

(p) It shall, upon reasonable written request, issue to the Board a certificate indicating whether, to the actual knowledge of a Responsible Officer of the Trustee, the Board is in default under the provisions of the Indenture and, in the event there is such a default, briefly describing the nature thereof.

(q) The recitals of fact herein and in the Bonds are statements by the Board and not by the Trustee, and the Trustee is in no way responsible for the validity or security of the Bonds, the existence of any part of the System, the value thereof, the title of the Board thereto, the security afforded hereby or the validity or priority of the pledge herein made.

(r) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(s) Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

(t) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(u) None of the provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

(v) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligation under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with

accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(w) The Trustee shall have the right to accept and act upon directions or instructions given by the Board and delivered using Electronic Means (defined below); provided, however, that the Board shall provide to the Trustee an incumbency certificate listing Authorized Representatives, which shall have the authority to provide such directions or instructions and shall contain specimen signatures of such Authorized Representatives, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Board elects to give the Trustee directions or instructions using Electronic Means and the Trustee in its discretion elects to act upon such directions or instructions, the Trustee's understanding of such directions or instructions shall be deemed controlling. The Board understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions or instructions and that the Trustee shall conclusively presume that directions or instructions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Board shall be responsible for ensuring that only Authorized Representatives transmit such directions or instructions to the Trustee and that all Authorized Representatives treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions or instructions notwithstanding such directions or instructions conflict or are inconsistent with a subsequent written direction or written instruction. The Board agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions or instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions or instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions or instructions to the Trustee and that there may be more secure methods of transmitting directions or instructions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions or instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

(x) The Trustee may conclusively rely upon as genuine any notice, direction, consent, opinion, certificate or other document provided to it pursuant to the terms of this Indenture which the Trustee in good faith believes to have been signed by the proper person or persons.

(y) The Trustee shall have no duty to review or any financial statements delivered to it or to verify the accuracy thereof and shall hold such financial statements solely as a repository for the benefit of the Bondholders; and the Trustee shall not be deemed to have notice of any information contained therein or event of default which may be disclosed therein in any manner.

Section 14.2 Trustee Authorized to Pay Certain Charges. Without relieving the Board from the consequences of any default in connection therewith, the Trustee may pay any charge which the failure of the Board to pay has made or will make an encumbrance or lien on the System or on the revenues therefrom prior to the pledge herein made and in the event the Board shall fail to take out or cause to be taken out insurance on or with respect to the System to the extent required by the Indenture, the Trustee may take out any such insurance on or with respect to the System that the Board has failed to furnish or cause to be furnished and may pay the premiums thereon; provided that in each case (a) the Trustee first gives to the Board such notice as is reasonable under the circumstances of the Board's failure to pay or cause to be paid such charge or take out or cause to be taken out such insurance, and (b) the Board does not within such time thereafter as the Trustee deems reasonable under the circumstances pay or cause to be paid such charge or take or cause to be taken out such insurance. The Trustee, however, shall not be required to pay any such charge or take out any such insurance, and it shall not be liable in any manner for any failure to do so. All sums expended by the Trustee under the provisions of this section shall be secured by the Indenture, shall bear interest at a per annum rate of interest equal to the lesser of (i) the Base Rate plus 2% or (ii) the highest rate of interest then permitted by law from the date of payment thereof, and shall be entitled to priority of payment over the principal of or the interest (or premium, if any) on any of the Bonds. The Board will reimburse the Trustee on demand for all sums so expended by the Trustee, together with interest at said rate.

Section 14.3 Trustee May Institute Suit, Etc. The Trustee may, in its own name and at any time, institute or intervene in any suit or proceeding for the enforcement of all rights of action (including the right to file proof of claims in connection with any reorganization, bankruptcy, receivership or like proceeding) hereunder or under any of the Bonds, without the necessity of joining as parties to such suit or proceeding any Holders of the Bonds and without the necessity of possessing any of such Bonds or producing same in any trial or other proceedings related to such rights of action. The Holders of the Bonds do hereby appoint the Trustee as their irrevocable agent and attorney in fact for the purpose of enforcing all such rights of action, but such appointment shall not include the power to agree to accept new securities of any nature in lieu of the Bonds or to alter or amend the terms of the Indenture except as herein provided.

Section 14.4 Resignation and Removal of Trustee. The Trustee may resign and be discharged of the trusts hereby created upon thirty (30) days' written notice specifying the effective date of such resignation, such notice to be given to the Board and the Holders of the Bonds. Additionally, while no event of default exists and is continuing, the Trustee may be removed by the Board at any time by written notice delivered by the Board to the Trustee. The Trustee may at any time be removed by a written instrument signed by the Holders of a majority in Outstanding Amount of the Bonds. If the corporate trust assets of the Trustee are sold to another banking or financial services institution, such sale shall be deemed to be a resignation by

the Trustee hereunder. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee as provided in Section 14.5 hereof; provided however, if no successor Trustee shall have been so appointed and accepted appointment within sixty (60) days of such resignation or removal of the Trustee in the manner herein provided, the Trustee or any Holder may petition any court of competent jurisdiction for the appointment of a successor Trustee until a successor shall have been appointed as above provided. If the Trustee shall resign or be removed, it shall be reimbursed for all its proper prior expenses reasonable under the circumstances.

Section 14.5 Appointment of Successor Trustee. If the Trustee shall resign, be removed, be placed by a court or governmental authority under the control of a receiver or other public officer or otherwise become incapable of acting, a successor may be appointed by a written instrument signed by the Holders of a majority in Outstanding Amount of the Bonds and in the interim by an instrument executed by the Board, such interim successor Trustee to be immediately and ipso facto superseded by the one appointed as above by the said Holders. The Board shall give written notice of such interim appointment, in the event such is made, to the Holders of the Bonds, and when the appointment of a successor Trustee, as selected by the Holders of a majority in Outstanding Amount of the Bonds, becomes effective, such successor Trustee shall give written notice of that fact to the Holders of the Bonds. Any successor Trustee shall be a bank or trust company authorized to administer trusts and having, at the time of its acceptance of such appointment combined capital, surplus and undivided profits of at least \$100,000,000. If no successor Trustee shall have been appointed and accepted appointment within sixty (60) days of the resignation, removal, or the occurrence of a vacancy in the office of Trustee in the manner herein provided, the Trustee or any Holder may petition any court of competent jurisdiction for the appointment of a successor Trustee until a successor shall have been appointed as above provided.

Section 14.6 Concerning Any Successor Trustee. Any successor Trustee shall execute and deliver to the Board an instrument accepting the trusts and shall thereupon ipso facto succeed to all the estate and title of the retiring Trustee under the Indenture and to its rights, powers and responsibilities hereunder. The Board will, upon request of the successor Trustee, execute and deliver to it any instrument reasonably requested in further assurance thereof. Any successor Trustee may effectively adopt the authentication certificate of a predecessor Trustee on Bonds already authenticated and not delivered, and may so deliver them; and it may effectively authenticate Bonds in its own name.

ARTICLE XV

AUTHORIZATION OF SUPPLEMENTAL INDENTURES AND MODIFICATION OF THE INDENTURE

Section 15.1 Supplemental Indentures without Bondholder Consent. The Board and the Trustee may at any time and from time to time enter into such Supplemental Indentures (in addition to such Supplemental Indentures as are otherwise provided for herein or contemplated hereby) as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the Board herein contained other covenants and agreements thereafter to be observed and performed by the Board, provided that such other covenants and agreements shall not either expressly or impliedly limit or restrict any of the obligations of the Board contained in the Indenture; or
- (b) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision contained in the Indenture or in any Supplemental Indenture or to make any provisions with respect to matters arising under the Indenture or any Supplemental Indenture for any other purpose if such provisions are necessary or desirable and are not inconsistent with the provisions of the Indenture or any Supplemental Indenture and do not adversely affect the interests of the Holders of the Bonds.

Any Supplemental Indenture entered into under the provisions of and pursuant to this section shall not require the consent of any Holders of the Bonds.

Section 15.2 Supplemental Indentures Requiring Bondholder Consent. In addition to those Supplemental Indentures permitted by Section 15.1 hereof, the Board and the Trustee may, at any time and from time to time, with the written consent of the Holders of not less than 66-2/3% in Outstanding Amount of the Bonds, enter into such Supplemental Indentures as shall be deemed necessary or desirable by the Board and the Trustee 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; provided, that, without the written consent of the Holder of each Bond affected, no reduction in the principal amount of, rate of interest on, or the premium payable upon the redemption of, any Bond shall be made; and provided, further, that, without the written consent of the Holders of all the Bonds, none of the following shall be permitted:

- (a) an extension of the maturity of any installment of principal of or interest on any Bond;
- (b) any change in the schedule of mandatory redemption requirements with respect to any series of the Bonds;

(c) the creation of a lien or charge on the System or the revenues therefrom ranking prior to or (except in connection with the issuance of Additional Bonds) on a parity with the lien or charge thereon contained herein;

(d) the establishment of preferences or priorities as between the Bonds; or

(e) a reduction in the Outstanding Amount of Bonds the Holders of which are required to consent to such Supplemental Indenture.

Upon the execution of any Supplemental Indenture under and pursuant to the provisions of this section, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Board, the Trustee and all Holders of the Bonds then outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

Section 15.3 Execution of Supplemental Indentures. The Trustee is authorized to join with the Board in the execution of any Supplemental Indenture authorized under the provisions of this article and to make the further agreements and stipulations which may be contained therein, but the Trustee shall not be obligated to enter into any such Supplemental Indenture which affects its rights, duties or immunities under the Indenture. Any Supplemental Indenture executed in accordance with the provisions of this article shall thereafter form a part of the Indenture, and all the terms and conditions contained in such Supplemental Indenture, as to any provisions authorized to be contained therein, shall be deemed to be a part of the terms and conditions of the Indenture for any and all purposes.

Section 15.4 Notices with Respect to Certain Changes in Indenture. If at any time the Board shall request in writing that the Trustee enter into any Supplemental Indenture requiring the written consent of the Holders of 66-2/3% in Outstanding Amount of the Bonds, the Trustee shall, upon being satisfactorily indemnified with respect to its prospective expenses incident thereto, cause written notice of the proposed Supplemental Indenture to be given to the Holders of the Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Holders. If, within sixty (60) days or such longer period as shall be prescribed by the Board following the giving of such notice, the Holders of not less than 66-2/3% in Outstanding Amount of the Bonds at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Board from executing the same or from taking any action pursuant to the provisions thereof.

Section 15.5 Discretion of the Trustee. In the case of any Supplemental Indenture authorized under the provisions of this article, the Trustee shall be entitled to exercise its discretion in determining whether or not any proposed Supplemental Indenture, or any term or provision therein contained, is proper or desirable, having in view the purposes of such instrument, the needs of the Board, the System and the rights and interests of the Holders of the

Bonds, and the Trustee shall not be under any responsibility or liability to the Board or to any Holder or to anyone whomsoever for any act or thing which it may in good faith do or decline to do under the provisions of this article. The Trustee shall be entitled to receive, and shall be fully protected in relying conclusively upon, an opinion of Independent Counsel acceptable to it as conclusive evidence that any such Supplemental Indenture complies with the provisions of the Indenture and that it is proper for the Trustee acting under the provisions of this article to join in the execution of such Supplemental Indenture.

ARTICLE XVI

PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE INDENTURE

Section 16.1 Satisfaction of Indenture. Whenever the entire indebtedness secured by the Indenture, including all proper charges of the Trustee hereunder, shall have been fully paid, the Trustee shall cancel, satisfy and discharge the Indenture. For purposes of the Indenture, any of the Bonds shall be deemed to have been paid when there shall have been irrevocably deposited with the Trustee for payment thereof the entire amount (principal, interest and premium, if any) due or to be due thereon until and at maturity, and, further, any of the Callable Bonds shall also be deemed to have been paid when the Board shall have deposited with the Trustee the following:

- (a) the applicable Redemption Price of such Bond, including the interest that will accrue thereon to the date on which it is to be redeemed, and
- (b) a certified copy of the Resolution required in Section 6.1 of the Indenture.

In addition, any of the Bonds shall, for purposes of the Indenture, be considered as fully paid if there shall be filed with the Trustee each of the following:

- (1) a trust agreement between the Board and a financial institution (which may but does not have to be the Trustee) making provision for the retirement of such Bonds by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of such Bonds (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable), either by redemption prior to their respective maturities, by payment at their respective maturities or by payment of part thereof at their respective maturities and redemption of the remainder prior to their respective maturities, which said trust fund shall consist of (i) Federal Securities which will produce funds sufficient so to provide for payment and retirement of all such Bonds, or (ii) both cash and such Federal Securities which together will produce funds sufficient for such purpose, or (iii) cash sufficient for such purpose;

- (2) a certified copy of a Resolution calling for redemption those of such Bonds that, according to said trust agreement, are to be redeemed prior to their respective maturities; and

- (3) either (i) a verification report to the effect that such Federal Securities and/or cash, together with earnings thereon, will be sufficient to pay interest and principal (and applicable premium, if any) on the Bonds to redemption or maturity or (ii) an opinion of Independent Counsel to the

effect that all conditions precedent to the defeasance of the Bonds have been satisfied; provided however, that no such verification report or opinion shall be necessary in the event of a gross defeasance (where the cash and Federal Securities alone are sufficient to pay the debt service on the Bonds without relying on interest earnings) or a current refunding (where the Bonds are to be redeemed within ninety (90) days of the funding of the escrow).

The Trustee is hereby irrevocably authorized to publish or otherwise give notice, in accordance with the requirements of Article VI hereof, of the redemption of any Bonds to be made pursuant to any Resolution required by the preceding provisions of this Section 16.1.

Section 16.2 Cancellation of Paid Bonds. When and as the Bonds are paid, those so paid shall be forthwith cancelled by the Trustee, and upon the written request of the Board, a certificate of cancellation shall be delivered to the Board. Likewise all mutilated Bonds replaced by new Bonds shall forthwith be cancelled by the Trustee, and upon the written request of the Board, a certificate of cancellation shall be delivered to the Board.

ARTICLE XVII

MISCELLANEOUS PROVISIONS

Section 17.1 Disclaimer of General Liability. It is hereby expressly made a condition of this Indenture that any agreements, covenants or representations herein contained or contained in the Bonds do not and shall never constitute or give rise to any personal or pecuniary liability or charge against the general credit of the Board, and in the event of a breach of any such agreement, covenant or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the Board shall arise therefrom. Neither the full faith and credit nor any taxing power of the Board is pledged for payment of the Bonds. Nothing contained in this section, however, shall relieve the Board from the observance and performance of the several covenants and agreements on its part herein contained.

Section 17.2 Retention of Moneys for Payment of Bonds. Should any of the Bonds not be presented for payment when due, whether by maturity or otherwise, the Trustee shall, subject to the provisions of any applicable escheat or other similar law, retain from any moneys transferred to it for the purpose of paying said Bonds so due, for the benefit of the Holders thereof, a sum of money sufficient to pay such Bonds when the same are presented by the Holders thereof for payment (upon which sum the Trustee shall not be required to pay interest). All liability of the Board to the Holders of such Bonds and all rights of such Holders against the Board under the Bonds or under the Indenture shall thereupon cease and determine, and the sole right of such Holders shall thereafter be against such deposit. If any Bond shall not be presented for payment within a period of three (3) years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall, subject to the provisions of any applicable escheat or other similar law, return to the Board any moneys theretofore held by it for payment of such Bond, and such Bond shall (subject to the defense of any applicable statute of limitation) thereafter be an unsecured obligation of the Board.

Section 17.3 Payment of Certain Surplus Moneys to Board. If, upon full payment of all proper charges of the Trustee hereunder and full payment and retirement of all the Bonds, any moneys then remain in any of the special trust funds created in the Indenture, the Trustee shall thereupon pay such moneys to the Board.

Section 17.4 Form of Requests, Etc., by Bondholders. Any request, direction or other instrument required to be signed or executed by Holders of the Bonds may be in any number of concurrent instruments of similar tenor, signed, or executed in person or by agent appointed in writing. Such signature or execution may be proved by the certificate of a notary public or other officer at the time authorized to take acknowledgments to deeds to be recorded in Alabama, stating that the signer was known to him and acknowledged to him the execution thereof.

Section 17.5 Limitation of Rights. Nothing herein or in the Bonds shall confer any right on anyone other than the Board, the Trustee, the Holders of the Bonds.

Section 17.6 Manner of Proving Ownership of Bonds. The ownership at any given time of a Bond may be proved by a certificate of the Trustee stating that on the date stated the Bond described was registered on its books in the name of the stated party.

Section 17.7 Indenture Governed By Alabama Law. It is the intention of the parties hereto that the Indenture shall in all respects be governed by the laws of the State of Alabama without regard to conflict of law principles.

Section 17.8 Notices. All notices, demands and requests to be given or made hereunder shall be deemed sufficient and properly given or made if in writing and sent by United States registered or certified mail, postage prepaid, addressed, (a) if to the Board, at 1501 West Samford Avenue, Auburn, Alabama 36832; (b) if to the Trustee, at 505 North 20th Street, Suite 950, Attn: Corporate Trust, Birmingham, Alabama 35203, and (c) if to the Holder of a Bond, at the address of such Holder as shown on the registry books of the Trustee pertaining to the Bonds. The Board and the Trustee may, by like notice, designate any further or different addresses to which subsequent notices shall be sent. Any notice hereunder signed on behalf of the notifying party by a duly authorized attorney at law shall be valid and effective to the same extent as if signed by such party himself or on its behalf by a duly authorized officer or employee.

Section 17.9 Severability. In the event that any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

IN WITNESS WHEREOF, the Board has caused this Indenture to be executed in its corporate name and behalf by the its Chairman of the Directors, has caused its corporate seal to be hereunto affixed and has caused this Indenture to be attested by its Secretary, and the Trustee, to evidence its acceptance of the trusts hereby created, has caused this Indenture to be executed in its name and behalf, has caused its seal to be hereunto affixed and has caused this Indenture to be attested, by its duly authorized officers, all in multiple counterparts, each of which shall be deemed an original, and the Board and the Trustee have caused this Indenture to be dated March 26, 2020.

**THE WATER WORKS BOARD
OF THE CITY OF AUBURN**

[SEAL]

By _____
Chairman of the Board of Directors

Attest:

Secretary

REGIONS BANK

[SEAL]

By _____

Its _____

Attest:

Its _____

STATE OF ALABAMA)
COUNTY OF LEE)

I, the undersigned, a Notary Public in and for said county in said state, hereby certify that Jeffrey Clary, whose name as Chairman of the Board of Directors of **THE WATER WORKS BOARD OF THE CITY OF AUBURN**, a public corporation under the laws of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said public corporation.

GIVEN under my hand and official seal of office, this ____ day of March, 2020.

Notary Public

[NOTARIAL SEAL]

STATE OF ALABAMA)
COUNTY OF JEFFERSON)

I, the undersigned, a Notary Public in and for said county in said state, hereby certify that [REDACTED], whose name as [REDACTED] of **REGIONS**, an Alabama banking corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

GIVEN under my hand and official seal of office, this [] day of March, 2020.

Notary Public

[NOTARIAL SEAL]

APPENDIX E

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of the Continuing Disclosure Agreement (the "Agreement") entered into by the Board, for the benefit of the holders of the Series 2020 Bonds, in order to assist the Underwriter in complying with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission of the United States of America (the "Commission") pursuant to the Securities Exchange Act of 1934. Except where otherwise defined in this Appendix, all capitalized terms have the meaning assigned in the front portion of this Official Statement.

Annual Report of the Board. The Board agrees, in accordance with the provisions of the Rule, to provide or cause to be provided through the Electronic Municipal Market Access ("EMMA") system (or such other system as may be subsequently authorized by the MSRB) established by the Municipal Securities Rulemaking Board ("MSRB"), not later than 270 days after the close of each fiscal year of the Board (October 1 - September 30) commencing with the fiscal year ending September 30, 2020, the following annual financial information and operating data (the "Annual Report"): the audited financial statements of the Board and notes thereto.

The Board also agrees, in accordance with the Rule, to provide or cause to be provided in a timely manner through the EMMA system (or such other system as may be authorized by the MSRB) notice of any failure to provide or cause to be provided the Annual Report or any part thereof, as described in this paragraph.

Notice of Material Events. The Board agrees to provide or cause to be provided, in a timely manner, through the EMMA system (or such other system as may be authorized by the MSRB) notice of the occurrence of any of the following events with respect to the Series 2020 Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, 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 2020 Bonds, or other material events affecting the tax status of the Series 2020 Bonds;
- (vii) modifications of the rights of holders of the Series 2020 Bonds, if material;
- (viii) calls for redemption, other than scheduled mandatory redemption, of any of the Series 2020 Bonds if material, and notice of tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Series 2020 Bonds, if material;
- (xi) rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Board or of any

obligated person respecting the Series 2020 Bonds;

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Board or any obligated person respecting the Series 2020 Bonds (each, an "Obligated Person") or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement related to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an Obligated Person, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligated Person, any of which reflect financial difficulties.

As used herein, "Financial Obligation" shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term financial obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

Additional Information. The Board may from time to time choose to provide other information in addition to the information and notices listed above, but the Board does not undertake in the Agreement to commit to provide any such additional information or to update or to continue to provide such additional information or notices once provided.

Amendment; Waiver. The Board may amend the Agreement and any provision of the Agreement may be waived, 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 would not cause the undertakings therein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

Beneficiaries and Enforcement. The Board agrees that its undertakings pursuant to the Rule set forth in the Agreement are intended to be for the benefit of the holders of the Series 2020 Bonds and shall be enforceable by such holders. No failure by the Board to comply with its obligations under the Agreement shall constitute an event of default under the Indenture.