

**CITY OF BLOOMINGTON, INDIANA  
CAUSE NO. 44855**

**Accounting Workpapers  
Adjustments**

## Commercial Revenue

04/14/2015	2015-00004898	JE	UB	Adjustments processed on	Utility Mgmt	2.63		(522,522.65)
04/14/2015	2015-00004899	JE	UB	Adjustments processed on	Utility Mgmt	10.52		(522,512.13)
04/14/2015	2015-00004900	JE	UB	Adjustments processed on	Utility Mgmt	5.26		(522,506.87)
04/14/2015	2015-00004901	JE	UB	Adjustments processed on	Utility Mgmt	63.12		(522,443.75)
04/14/2015	2015-00005079	JE	UB	Exception Bills	Utility Mgmt		3.06	(522,446.81)
04/15/2015	2015-00004948	JE	UB	Adjustments processed on	Utility Mgmt	2.63		(522,444.18)
04/16/2015	2015-00005079	JE	UB	Exception Bills	Utility Mgmt		4.70	(522,448.88)
04/20/2015	2015-00005282	JE	UB	Adjustments processed on	Utility Mgmt	5.26		(522,443.62)
04/20/2015	2015-00005745	JE	UB	Exception Bills	Utility Mgmt		6.55	(522,450.17)
04/23/2015	2015-00005418	JE	UB	Adjustments processed on	Utility Mgmt	2.63		(522,447.54)
04/23/2015	2015-00005419	JE	UB	Adjustments processed on	Utility Mgmt	383.98		(522,063.56)
04/23/2015	2015-00005420	JE	UB	Adjustments processed on	Utility Mgmt	2.63		(522,060.93)
04/23/2015	2015-00005444	JE	UB	Adjustments processed on	Utility Mgmt	2.63		(522,058.30)
04/23/2015	2015-00005447	JE	UB	Adjustments processed on	Utility Mgmt	2.63		(522,055.67)
04/23/2015	2015-00005449	JE	UB	Adjustments processed on	Utility Mgmt	2.63		(522,053.04)
04/23/2015	2015-00005492	JE	UB	Exception Bills	Utility Mgmt		21.82	(522,074.86)
04/24/2015	2015-00005508	JE	UB	Adjustments processed on	Utility Mgmt	13.15		(522,061.71)
04/24/2015	2015-00005510	JE	UB	Adjustments processed on	Utility Mgmt	10.52		(522,051.19)
04/24/2015	2015-00005516	JE	UB	Adjustments processed on	Utility Mgmt	13.15		(522,038.04)
04/24/2015	2015-00005535	JE	UB	Adjustments processed on	Utility Mgmt	5.26		(522,032.78)
04/24/2015	2015-00005745	JE	UB	Exception Bills	Utility Mgmt		27.59	(522,060.37)
04/27/2015	2015-00005676	JE	UB	Adjustments processed on	Utility Mgmt	7.89		(522,052.48)
04/28/2015	2015-00005751	JE	UB	Adjustments processed on	Utility Mgmt	3.11		(522,049.37)
04/28/2015	2015-00005757	JE	UB	Adjustments processed on	Utility Mgmt	2.63		(522,046.74)
04/28/2015	2015-00005758	JE	UB	Adjustments processed on	Utility Mgmt	2.63		(522,044.11)
04/28/2015	2015-00005792	JE	UB	Adjustments processed on	Utility Mgmt	2.63		(522,041.48)
04/28/2015	2015-00005797	JE	UB	Adjustments processed on	Utility Mgmt	10.52		(522,030.96)
04/28/2015	2015-00005798	JE	UB	Adjustments processed on	Utility Mgmt	2.63		(522,028.33)
04/29/2015	2015-00005942	JE	UB	Adjustments processed on	Utility Mgmt	200,881.36		(321,146.97)
04/30/2015	2015-00005973	JE	UB	Adjustments processed on	Utility Mgmt	15.78		(321,131.19)
04/30/2015	2015-00005981	JE	UB	Adjustments processed on	Utility Mgmt	2.63		(321,128.56)
04/30/2015	2015-00006002	JE	UB	Adjustments processed on	Utility Mgmt	5.26		(321,123.30)
04/30/2015	2015-00006003	JE	UB	Adjustments processed on	Utility Mgmt	47.34		(321,075.96)
04/30/2015	2015-00006005	JE	UB	Adjustments processed on	Utility Mgmt	84.16		(320,991.80)
04/30/2015	2015-00006010	JE	UB	Adjustments processed on	Utility Mgmt	5.26		(320,986.54)
04/30/2015	2015-00006018	JE	UB	Adjustments processed on	Utility Mgmt	42.08		(320,944.46)
04/30/2015	2015-00006041	JE	UB	Adjustments processed on	Utility Mgmt	34.21		(320,910.25)
05/01/2015	2015-00006125	JE	UB	Adjustments processed on	Utility Mgmt	2.63		(320,907.62)
05/01/2015	2015-00006127	JE	UB	Adjustments processed on	Utility Mgmt	24.88		(320,882.74)
05/01/2015	2015-00006129	JE	UB	Adjustments processed on	Utility Mgmt	26.30		(320,856.44)
05/01/2015	2015-00006133	JE	UB	Adjustments processed on	Utility Mgmt	52.60		(320,803.84)
05/01/2015	2015-00006139	JE	UB	Adjustments processed on	Utility Mgmt	13.15		(320,790.69)
05/01/2015	2015-00006186	JE	UB	Adjustments processed on	Utility Mgmt	13.15		(320,777.54)
05/01/2015	2015-00006189	JE	UB	Bills For Cycle Zone 3	Utility Mgmt		34,293.74	(355,071.28)
05/01/2015	2015-00006196	JE	UB	Adjustments processed on	Utility Mgmt	49.97		(355,021.31)
05/01/2015	2015-00006259	JE	UB	Exception Bills	Utility Mgmt		15.32	(355,036.63)
05/04/2015	2015-00006190	JE	UB	Bills For Cycle Zone 4	Utility Mgmt		4,565.88	(359,602.51)

Billing correction from 2014  
billing error

baxterspreadsheet.xls sent from E. Feferman to M. Amore on 3/27/16.

2" Fill meter, 75504855

Read Date	Billing Cycle	Type	Status	Prev. Read	Current Read	Billed Cons.	Audits
04/17/2015	5/1/2015	corrected		11335	11632	297	
03/23/2015	4/2/2015	corrected		11007	11335	328	
02/11/2015	Zone 3-03/02/2015	Automated		110079	110079	0	Zero Consumption - Accepted by Kim Trotter
01/22/2015		Initial			110079		
01/22/2015	Zone 3-02/02/2015	Manual Estimate		106043	111257	5,214	
12/22/2014	Zone 3-01/02/2015	Corrected		103060	106043	2,983	
11/13/2014	Zone 3-12/02/2014	Automated		99670	103060	3,390	
10/13/2014	Zone 3-11/03/2014	Automated		95355	99670	4,315	
09/11/2014	Zone 3-10/02/2014	Automated		89815	95355	5,540	
08/20/2014	Zone 3-09/03/2014	Corrected		81555	89815	8,260	Consumption Too Large
07/10/2014	Zone 3-08/01/2014	Automated		74759	81555	6,796	Consumption Too Large - Accepted by Kim Trotter
06/10/2014	Zone 3-07/02/2014	Automated		68658	74759	6,101	Consumption Too Large - Accepted by Kim Trotter
05/13/2014	Zone 3-06/02/2014	Automated		61710	68658	6,948	Consumption Too Large - Accepted by Kim Trotter
04/10/2014	Zone 3-05/02/2014	Automated		58259	61710	3,451	Consumption Too Large - Accepted by Kim Trotter
03/11/2014	Zone 3-04/01/2014	Automated		55902	58259	2,357	Consumption Too Large - Accepted by Kim Trotter
03/06/2014	Zone 3-03/03/2014	Estimate		51688	55902	4,214	Consumption Too Large
01/10/2014	Zone 3-02/03/2014	Automated		46473	51688	5,215	Consumption Too Large - Accepted by Kim Trotter
12/05/2013	Zone 3-01/02/2014	Automated		42404	46473	4,069	Consumption Too Large - Accepted by Kim Trotter
11/12/2013	Zone 3-12/02/2013	Automated		37420	42404	4,984	Consumption Too Large - Accepted by Kim Trotter
10/09/2013	Zone 3-11/01/2013	Automated		33831	37420	3,589	Consumption Too Large - Accepted by Kim Trotter, Meter Exchange - Accepted by Kim Trotter

Per Nancy at Utility office, the 1,178 unit credit was made based on an estimated read conducted on 1/22/2015

77426	usage billed based on incorrect usage.
-1178	credited back from over estimation
<u>76248</u>	total usage incorrectly billed
\$200,532.24	Total water charges incorrectly billed.
\$484,937.28	Total sewer charges incorrectly billed
<u>\$685,469.52</u>	Grand total charges incorrectly billed

$$\begin{array}{r}
 A \quad 76,248 \\
 \times \quad 2.63 \quad (1) \\
 \hline
 200,532.24 \quad B
 \end{array}$$

$$\begin{array}{r}
 C \quad 200,881.36 \\
 B \quad (200,532.24) \\
 \hline
 \end{array}$$

*difference* 349.12

(1) Commercial, Governmental, Interdepartmental Rate per 1,000 gallons.

Actual usage for Baxter

Correct readings			
	10604	11007	403
	10306	10604	298
	9967	10306	339
	9535	9967	432
	8981	9535	554
	8155	8981	826
	7475	8155	680
	6865	7475	610
	6171	6865	694
	5825	6171	346
	5590	5825	235
	5168	5590	422
	4647	5168	521
	4240	4647	407
	3742	4240	498
	3383	3742	359
			7624 actual usage....not to be billed.

**BLOOMINGTON MUNICIPAL WATER UTILITY**

Bloomington, Indiana

Pro Forma Salaries and Wages and Test Year

	<u>2016 Budget</u>	<u>2015 Test Year TB</u>	<u>Difference</u>
Department 51 - Director			
U60100 Salaries & Wages Employees	216,188.18	216,485.55	(297.37)
U60200 OT Salary & Wages	1,000.22	3.00	997.22
Sub-Total	<u>217,188.40</u>	<u>216,488.55</u>	<u>699.85</u>
Department 52 - USB			
U60100 Salaries & Wages Employees	11,935.56	11,607.66	327.90
U60200 OT Salary & Wages	-	-	-
Sub-Total	<u>11,935.56</u>	<u>11,607.66</u>	<u>327.90</u>
Department 53 - Accounting			
U60100 Salaries & Wages Employees	177,006.70	175,311.50	1,695.20
U60200 OT Salary & Wages	499.98	59.12	440.86
Sub-Total	<u>177,506.68</u>	<u>175,370.62</u>	<u>2,136.06</u>
Department 54 - Billings & Collections			
U60100 Salaries & Wages Employees	57,769.40	56,398.03	1,371.37
U60200 OT Salary & Wages	600.08	-	600.08
Sub-Total	<u>58,369.48</u>	<u>56,398.03</u>	<u>1,971.45</u>
Department 55 - Customer Relations			
U60100 Salaries & Wages Employees	71,931.60	69,831.97	2,099.63
U60200 OT Salary & Wages	800.02	-	800.02
Sub-Total	<u>72,731.62</u>	<u>69,831.97</u>	<u>2,899.65</u>

Department 56 - Purchasing

U60100	Salaries & Wages Employees	92,115.92	94,552.92	(2,437.00)
U60200	OT Salary & Wages	5,000.06	3,183.47	1,816.59
	Sub-Total	<u>97,115.98</u>	<u>97,736.39</u>	<u>(620.41)</u>

Department 58 - Communications

U60100	Salaries & Wages Employees	75,216.96	57,388.04	17,828.92
U60200	OT Salary & Wages	5,000.06	2,036.80	2,963.26
	Sub-Total	<u>80,217.02</u>	<u>59,424.84</u>	<u>20,792.18</u>

Department 61 - Monroe WTP

U60100	Salaries & Wages Employees	582,163.40	528,695.59	53,467.81
U60200	OT Salary & Wages	80,000.18	111,497.70	(31,497.52)
	Sub-Total	<u>662,163.58</u>	<u>640,193.29</u>	<u>21,970.29</u>

Department 62 - Griffy Lake

U60100	Salaries & Wages Employees	-	-	-
U60200	OT Salary & Wages	-	-	-
	Sub-Total	<u>-</u>	<u>-</u>	<u>-</u>

Department 66 - Laboratory

U60100	Salaries & Wages Employees	68,995.68	68,662.53	333.15
U60200	OT Salary & Wages	7,999.68	3,404.43	4,595.25
	Sub-Total	<u>76,995.36</u>	<u>72,066.96</u>	<u>4,928.40</u>

Department 71 - Transmission & Distribution

U60100	Salaries & Wages Employees	741,730.86	704,165.31	37,565.55
U60200	OT Salary & Wages	20,003.62	17,407.06	2,596.56
	Sub-Total	<u>761,734.48</u>	<u>721,572.37</u>	<u>40,162.11</u>

Department 73 - Booster & Lift Stations

U60100	Salaries & Wages Employees	-	977.02	(977.02)
U60200	OT Salary & Wages	-	-	-
	Sub-Total	<u>-</u>	<u>977.02</u>	<u>(977.02)</u>

Department 75 - Meters

U60100	Salaries & Wages Employees	208,910.52	199,565.11	9,345.41
U60200	OT Salary & Wages	7,000.50	4,817.30	2,183.20
	Sub-Total	<u>215,911.02</u>	<u>204,382.41</u>	<u>11,528.61</u>

Department 92 - Engineering

U60100	Salaries & Wages Employees	361,135.58	346,620.28	14,515.30
U60200	OT Salary & Wages	5,000.58	579.30	4,421.28
	Sub-Total	<u>366,136.16</u>	<u>347,199.58</u>	<u>18,936.58</u>

	Total	<u><u>2,798,005.34</u></u>	<u><u>2,673,250.00</u></u>	<u><u>124,755.34</u></u>
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**PERF WATER PORTION**

PERIOD	DATE PAID	AMOUNT
JAN 2015	JAN 2015	28,402.93
FEB 2015	FEB 2015	28,114.57
MAR 2015	MAR 2015	27,479.23
APR 2015	APR 2015	27,042.09
MAY 2015	MAY 2015	41,379.81
JUN 2015	JUN 2015	26,858.29
JUL 2015	JUL 2015	27,031.95
AUG 2015	AUG 2015	26,989.93
SEP 2015	SEP 2015	27,798.30
OCT 2015	OCT 2015	41,231.31
NOV 2015	NOV 2015	27,974.23
DEC 2015	DEC 2015	27,902.92

**T 358,205.56**

Pro Forma Salaries and Wages		\$ 2,798,005	
Less: Pro Forma Salaries and Wages not eligible for PERF benefits		(46,396)	R
Pro Forma Salaries and Wages (PERF Eligible)		2,751,609	
Times: PERF Rate		14.2%	Q
Pro Forma PERF Expense		390,728	
Less: Test Year		(358,206)	T
Adjustment - Increase			\$ 32,522



**From:** [Amore, Michael](#)  
**To:** [Lotz, Craig](#)  
**Subject:** FW: Not Eligible PERF wages for 2016  
**Date:** Wednesday, March 23, 2016 10:44:25 AM

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This is a 60/40 split **60% Wastewater, 40% Water**

**From:** Efrat Feferman [mailto:fefermae@bloomington.in.gov]  
**Sent:** Wednesday, March 23, 2016 10:34 AM  
**To:** Amore, Michael  
**Subject:** Re: Not Eligible PERF wages for 2016

Z 115,989.67  
X → 0.4  
46,396.00 R

Z \$115,989.67

On Wed, Mar 23, 2016 at 7:09 AM, Amore, Michael <[Michael.Amore@crowehorwath.com](mailto:Michael.Amore@crowehorwath.com)> wrote:

Efrat,

Do you happen to know the amount of wages from your 2016 budget that are not eligible for PERF split between Water and Wastewater?

Thanks,  
Michael

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Efrat Feferman  
Assistant Director of Finance  
City of Bloomington Utilities  
p 812.349.3635  
f 812.349.3683



Dear Employer:

On October 31, 2014, the Indiana Public Retirement System (INPRS) Board of Trustees, that oversees the Public Employees' Retirement Fund (PERF), approved a composite employer contribution rate of 11.2 percent effective Jan. 1, 2016 for employers reporting on a calendar year basis and effective July 1, 2015 for employers reporting on a fiscal year basis.

X Previously, a separate contribution rate was calculated for each of PERF's employers. Senate Enrolled Act 549, which passed in 2011, allows INPRS to create a pool of employers with a common rate. This is intended to reduce the year-to-year volatility of employer contribution rates. The 2016 composite employer contribution rate of 11.2% is unchanged from the composite employer contribution of 2015. If your submission unit name and number are on the attached list then your employer contribution rate will be 11.2% beginning July 1, 2015 or Jan. 1, 2016 depending on your reporting period.

Please print a copy of this letter for your records if needed as individual rate letters will no longer be sent via US Mail.

If there are questions or concerns in regard to your employer contribution rate, please feel free to contact our office at 888-876-2707 or at [eppa@inprs.in.gov](mailto:eppa@inprs.in.gov).

Sincerely,

Indiana Public Retirement System

X	11.2 %
Y	3.0
<hr/>	
Q	14.2 %

Y: The City of Bloomington Municipal Utilities covers the employee portion of the PERF contribution rate (3%) in addition to the employer contribution rate.



# Detail General Ledger Report

G/L Date Range 01/01/15 - 12/31/15

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger	Description/Project	Reference	Debit Amount	Credit Amount	Actual Balance
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G/L Account Number	<b>009-51-900008-U64005 Bond Issuance Cost 05</b>						Balance	\$0.00
12/31/2015	2015-	JE	GL	Water adj entries-bond		7,196.22		7,196.22
12/31/2015	2015-	JE	GL	Water adj entries-bond		10,250.00		17,446.22

Account	<b>Bond Issuance Cost 05</b>	Totals	\$17,446.22	\$0.00	<b>\$17,446.22</b>
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Debit of Amortization J.E.



# Balance Sheet

Through 12/31/15

Consolidated Detail Listing  
Include Rollup Account/Rollup to

Account	Account Description	Current YTD Balance	Prior Year YTD Total	Net Change	Change %
Fund Category <b>Proprietary</b>					
Fund Type <b>Enterprise Funds</b>					
<b>ASSETS</b>					
<b>U17405</b>	<b>Unamortized Bond Issuance Costs '06</b>	136,410.20	153,856.42	<b>(17,446.22)</b>	(11.34)

Credit side of Amortization J.E.

**Exhibit A Charges Relating to the Inter-Departmental Agreement with CBU**

In lieu of taxes	Percentage Increase	Water	Wastewater
2006 Payable in 2007	9.20%	204,787	202,312
2007 Payable in 2008	5.69%	211,754	209,195
2008 Payable in 2009	3.40%	155,407	285,309
2009 Payable in 2010	8.82%	174,129	305,454
2010 Payable in 2011	4.86%	169,197	333,683
2011 Payable in 2012	-0.72%	170,265	328,983
2012 Payable in 2013	5.31%	185,018	340,730
2013 Payable in 2014	8.31%	189,340	380,097
2014 Payable in 2015	6.04%	220,417	383,431
2015 Payable in 2016	9.54%	292,796	368,681

**Payable: 2016**

Payment to Fleet	
Annual	298,597.00
Monthly	24,883.08

Health Ins and	
Annual	2,190,045.00
Semi-annual	1,095,022.50

General Services	Allocation to	2016 Budget	Total Charge	Water	Wastewater
Clerk	1.00%	215,410	2,154.10		
Common Council	5.00%	552,575	27,628.75		
Controller	14.50%	1,082,747	156,998.32		
ESD	0.25%	525,567	1,313.92		
Fire	0.15%	9,996,236	14,994.35		
Human Resources	24.00%	469,207	112,609.68		
ITS	22.00%	1,619,748	356,344.56		
Legal	17.00%	863,452	146,786.84		
Mayor's Office	2.60%	440,978	11,465.43		
Planning & Transportation	3.00%	2,279,685	68,390.55		
Police	0.15%	12,618,342	18,927.51		
Public Works	5.50%	1,224,251	67,333.81		
<b>Total</b>		<b>31,888,198</b>	<b>984,947.81</b>	<b>393,979.12</b>	<b>590,968.69</b>
Charges by Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
<b>Water</b>					
In lieu of taxes	73,199.00	73,199.00	73,199.00	73,199.00	292,796.00
General Services	98,494.78	98,494.78	98,494.78	98,494.78	393,979.12
General Services 2015 credit	-6,516.36	-6,516.36	-6,516.36	-6,516.36	-26,065.44
<b>Subtotal</b>	<b>165,177.42</b>	<b>165,177.42</b>	<b>165,177.42</b>	<b>165,177.42</b>	<b>660,709.68</b>
<b>Wastewater</b>					
In lieu of taxes	92,170.25	92,170.25	92,170.25	92,170.25	368,681.00
General Services	147,742.17	147,742.17	147,742.17	147,742.17	590,968.69
General Services 2015 credit	-9,774.55	-9,774.55	-9,774.55	-9,774.55	-39,098.20
<b>Subtotal</b>	<b>230,137.87</b>	<b>230,137.87</b>	<b>230,137.87</b>	<b>230,137.87</b>	<b>920,551.49</b>
<b>Grand Total</b>	<b>395,315.29</b>	<b>395,315.29</b>	<b>395,315.29</b>	<b>395,315.29</b>	<b>1,581,261.17</b>
	by 9/30/16	by 12/31/16	by 3/31/17	by 6/30/17	

**A B**

<b>A</b>	393,979.12
<b>B</b>	(26,065.44)
<b>D</b>	367,913.68

**B The Utility received a credit based on an analysis of actual to budgeted employees.**



# Detail General Ledger Report

G/L Date Range 01/01/15 - 12/31/15

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger Description/Project	Source	Reference	Debit Amount	Credit Amount	Actual Balance
G/L Account Number <b>009-52-900008-U63701 Contract Services Interdepartmental</b>							Balance To Date:	\$0.00
03/27/2015	2015-00003650	JE	AP A/P Invoice Entry	Accounts Payable		183,208.20		183,208.20
<i>Invoice Number</i>	<i>Vendor</i>		<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Distribution Amount</i>
ACCT15-026	City Of Bloomington		1st & 2nd Qtr 2014 Interdepartmental	03/11/2015	Check	22592	742,739.00	183,208.20
						Total	\$742,739.00	\$183,208.20
06/19/2015	2015-00008438	JE	AP A/P Invoice Entry	Accounts Payable		188,998.99		372,207.19
<i>Invoice Number</i>	<i>Vendor</i>		<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Distribution Amount</i>
ACCT15-071	City Of Bloomington		3rd & 4th Qtr 2014 Interdepartmental	06/08/2015	Check	22861	757,215.98	188,998.99
						Total	\$757,215.98	\$188,998.99
08/14/2015	2015-00011404	JE	AP A/P Invoice Entry	Accounts Payable		84,363.27		456,570.46
<i>Invoice Number</i>	<i>Vendor</i>		<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Distribution Amount</i>
ACCT15-082	City Of Bloomington		1st Qtr 2015 Interdepartmental Agreement	07/28/2015	Check	23032	361,870.16	84,363.27
						Total	\$361,870.16	\$84,363.27
11/20/2015	2015-00016490	JE	AP A/P Invoice Entry	Accounts Payable		83,523.26		540,093.72
<i>Invoice Number</i>	<i>Vendor</i>		<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Distribution Amount</i>
ACCT15-104	City Of Bloomington		2nd Qtr of the 2015 Interdepartmental	11/09/2015	Check	23345	342,146.85	83,523.26
						Total	\$342,146.85	\$83,523.26
12/27/2015	2015-00019238	JE	AP A/P Invoice Entry	Accounts Payable		84,363.27		624,456.99
<i>Invoice Number</i>	<i>Vendor</i>		<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Distribution Amount</i>
3rd QTR 2015	City Of Bloomington		3rd QTR of 2015 Interdepartmental	02/02/2016	Check	23576	361,870.16	84,363.27
						Total	\$361,870.16	\$84,363.27

Account **Contract Services Interdepartmental** Totals \$624,456.99 \$0.00 **E \$624,456.99**

(5)			
To adjust "Operation and Maintenance Expenses" to account for annual General Services expense allocated to the Utility for shared services.			
Pro Forma General Services Expense		\$ 367,914	D
Less: Test Year (Includes Seven Quarters of Payments)		(624,457)	E
Adjustment - Decrease		\$ (256,543)	

Exhibit A Charges Relating to the Inter-Departmental Agreement with CBU

In lieu of taxes	Percentage Increase	Water	Wastewater
2006 Payable in 2007	9.20%	204,787	202,312
2007 Payable in 2008	5.69%	211,754	209,195
2008 Payable in 2009	3.40%	155,407	285,309
2009 Payable in 2010	8.82%	174,129	305,454
2010 Payable in 2011	4.86%	169,197	333,683
2011 Payable in 2012	-0.72%	170,265	328,983
2012 Payable in 2013	5.31%	185,018	340,730
2013 Payable in 2014	8.31%	189,340	380,097
2014 Payable in 2015	6.04%	220,417	383,431
2015 Payable in 2016	9.54%	292,796	368,681

Payable: 2016

Payment to Fleet	
Annual	298,597.00
Monthly	24,883.08

Payment for Health Ins and Other Personnel Costs	
Annual	A 2,190,045.00
Semi-annual	1,095,022.50

Water (40%)	Sewer and Wastewater (60%)	Total
B 876,018.00	C 1,314,027.00	A 2,190,045.00

**B Water receives 40% allocation**

(6)			
To adjust "Operation and Maintenance Expenses" for the increase in Insurance Services allocated to the Utility.			
Pro Forma Insurance Services Expense		\$ 876,018	B
Less: Test Year		(864,484)	D
Adjustment - Increase		\$ 11,534	



# Detail General Ledger Report

G/L Date Range 01/01/15 - 12/31/15

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger	Description/Project	Source	Reference	Debit Amount	Credit Amount	Actual Balance
G/L Account Number <b>009-52-900008-U60400 Employee Pensions &amp; Benefits</b>							Balance To Date:		\$0.00
02/13/2015	2015-00001449	JE	AP	A/P Invoice Entry	Accounts Payable		432,242.00		432,242.00
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Distribution Amount</i>
CY 2015	City Of Bloomington			Jan - June 2015 Health, Flex & Basic Life	01/22/2015	Check	22451	1,080,605.00	432,242.00
							Total	\$1,080,605.00	\$432,242.00
<hr/>									
07/02/2015	2015-00009117	JE	AP	A/P Invoice Entry	Accounts Payable		432,242.00		864,484.00
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Distribution Amount</i>
ACCT15-008-B	City Of Bloomington			July - Dec 2015 Health, Flex & Basic Life	06/15/2015	Check	22910	1,080,605.00	432,242.00
							Total	\$1,080,605.00	\$432,242.00
<hr/>									
Account <b>Employee Pensions &amp; Benefits</b> Totals							\$864,484.00	\$0.00	<b>D</b> \$864,484.00





# Income Statement

Through 12/31/15

Consolidated Detail Listing

Include Rollup Account/Rollup to Account

Account	Account Description	Annual Budget Amount	MTD Actual Amount	YTD Actual Amount	Budget Less YTD Actual	% of Budget	Prior Year YTD Total
EXPENSE							
Personnel Services							
U40800	Taxes - FICA	190,040.00	14,809.15	191,539.68 <b>S</b>	(1,499.68)	101	192,308.61

Pro Forma Salaries and Wages				\$ 2,798,005		
Less: Pro Forma Salaries and Wages not eligible for FICA benefits				(46,396)	<b>R</b>	
Pro Forma Salaries and Wages (FICA Eligible)				2,751,609		
Times: FICA Tax Rate				7.65%	<b>Q</b>	
Pro Forma FICA Tax				210,498		
Less: Test Year				(191,540)	<b>S</b>	
Adjustment - Increase						\$ 18,958

**From:** [Amore, Michael](#)  
**To:** [Lotz, Craig](#)  
**Subject:** FW: Not Eligible PERF wages for 2016  
**Date:** Wednesday, March 23, 2016 10:44:25 AM

---

This is a 60/40 split **60% Wastewater, 40% Water**

**From:** Efrat Feferman [mailto:fefermae@bloomington.in.gov]  
**Sent:** Wednesday, March 23, 2016 10:34 AM  
**To:** Amore, Michael  
**Subject:** Re: Not Eligible PERF wages for 2016

Z 115,989.67  
X → 0.4  
46,396.00 R

Z \$115,989.67

On Wed, Mar 23, 2016 at 7:09 AM, Amore, Michael <[Michael.Amore@crowehorwath.com](mailto:Michael.Amore@crowehorwath.com)> wrote:

Efrat,

Do you happen to know the amount of wages from your 2016 budget that are not eligible for PERF split between Water and Wastewater?

Thanks,  
Michael

This email message, including attachments, is from Crowe Horwath LLP and may contain privileged or confidential information. If you are not the intended recipient of this message, you may not make any use of, or rely in any way on, this information, and you should destroy this message and notify the sender by reply email. Any opinions or advice contained in this email are subject to the terms and conditions in any applicable agreement or contractual obligation. Any legally binding obligation must be reduced to a separate writing executed by all parties, and this email does not constitute a contract or other legally binding obligation. Opinions, conclusions and other information in this message that do not relate to the official business of my firm must not be understood by you as given or endorsed by the firm. Any tax advice expressed in this communication by Crowe Horwath LLP should not be construed as a formal tax opinion unless expressly stated.

--

Efrat Feferman  
Assistant Director of Finance  
City of Bloomington Utilities  
p 812.349.3635  
f 812.349.3683



## Topic 751 - Social Security and Medicare Withholding Rates

Taxes under the Federal Insurance Contributions Act (FICA) are composed of the old-age, survivors, and disability insurance taxes, also known as social security taxes, and the hospital insurance tax, also known as Medicare taxes. Different rates apply for these taxes.

### Social Security and Medicare Withholding Rates

The current tax rate for social security is <sup>A</sup>6.2% for the employer and 6.2% for the employee, or 12.4% total. The current rate for Medicare is <sup>B</sup>1.45% for the employer and 1.45% for the employee, or 2.9% total. Refer to [Publication 15](#), (Circular E), *Employer's Tax Guide*, for more information; or [Publication 51](#), (Circular A), *Agricultural Employer's Tax Guide*, for agricultural employers.

### Additional Medicare Tax Withholding Rate

Additional Medicare Tax applies to an individual's Medicare wages that exceed a threshold amount based on the taxpayer's filing status. Employers are responsible for withholding the 0.9% Additional Medicare Tax on an individual's wages paid in excess of \$200,000 in a calendar year, without regard to filing status. An employer is required to begin withholding Additional Medicare Tax in the pay period in which it pays wages in excess of \$200,000 to an employee and continue to withhold it each pay period until the end of the calendar year. There is no employer match for Additional Medicare Tax. For more information, see [Questions and Answers for the Additional Medicare Tax](#).

### Wage Base Limits

Only the social security tax has a wage base limit. The wage base limit is the maximum wage that is subject to the tax for that year. For earnings in 2016, this base is \$118,500. Refer to "What's New" in [Publication 15](#) for the current wage limit for social security wages; or [Publication 51](#) for agricultural employers.

There is no wage base limit for Medicare tax. All covered wages are subject to Medicare tax.

[More Tax Topic Categories](#)

Page Last Reviewed or Updated: June 30, 2016

A	6.20
B	1.45
Q	7.65

**From:** [Amore, Michael](#)  
**To:** [Lotz, Craig](#)  
**Subject:** FW: FA 2015 memo  
**Date:** Monday, March 21, 2016 7:37:33 AM  
**Attachments:** [MEMORANDUM - FA2015.doc](#) **See next page for attachment**

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**From:** Efrat Feferman [mailto:fefermae@bloomington.in.gov]  
**Sent:** Thursday, March 17, 2016 11:20 AM  
**To:** Amore, Michael; Steeno, Angie  
**Subject:** FA 2015 memo

Per your request.

We had a large jump in water assets as we closed out the SE Distribution System project in 2015.

--

Efrat Feferman  
Assistant Director of Finance  
City of Bloomington Utilities  
p 812.349.3635  
f 812.349.3683

Net Utility Plant as of December 31, 2015			\$ 92,463,216	
Add: Construction Work in Progress as of December 31, 2015			1,600,920	
Less: Outside City Utility Plant in Service			(58,202,095)	<b>B</b>
Inside City Net Utility Plant as of December 31, 2015			35,862,041	
Times: Gross Corporate Tax Rate (per \$100 Assessed Valuation)			0.8546	<b>C</b>
Pro Forma Contribution in Lieu of Property Taxes			306,477	
Less: Test Year (Includes Seven Quarters of Payments)			(354,653)	<b>D</b>
Adjustment - Decrease				\$ (48,176)

**MEMORANDUM**

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TO: Jeff Underwood, City of Bloomington Controller  
FROM: Efrat Feferman, City of Bloomington Utilities Assistant Director of Finance  
DATE: March 16, 2016  
RE: Utilities Fixed Assets for Interdepartmental Agreement

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Please find the attached worksheets as a summary of the Fixed Assets at Net Book Value at the end of 2015, within the city limits, for your use in determining the Utilities' Payments in Lieu of Taxes.

The totals for the fixed assets within the city are as follows:

Water: \$34,261,121.48 **A**  
Wastewater & Stormwater: \$43,140,815.98  
Total: \$77,401,937.46

92,463,216	<b>Net Utility Plant in Service</b>
<b>A</b> (34,261,121)	<b>Net Utility Plant in Service inside City</b>
<b>B</b> 58,202,095	<b>Calculate: Net Utility Plant in Service outside City</b>

**City of Bloomington Utilities Department**  
 Construction Work in Progress  
 1/1/16 thru 3/31/16

Provided by M. Waldon on 5/27/2016

Denotes whether CIP is "IN" (inside City Limits) or "OUT" (outside City limits).



WATER YEAR BUDGET	PROJECT DESCRIPTION	PROJECT #	PROJECT AUTHORIZED	1/1/2016	INVENTORY	ADJ	DISBURSEMENTS	TRANSFER TO UPIS	3/31/2016	
2008	SR 45/46 Waterline Relocation (Walnut - E 2nd)	W08-3204	568,800.00	x 567,268.20					567,268.20	IN
<b>2008 Projects</b>			<b>568,800.00</b>	<b>567,268.20</b>	-	-	-	-	<b>567,268.20</b>	
2009	SCADA Server Repl & SC Booster PLC upgrade	W09-3303	20,000.00	x 16,047.00					16,047.00	IN
<b>2009 Projects</b>			<b>20,000.00</b>	<b>16,047.00</b>	-	-	-	-	<b>16,047.00</b>	
2014	17th St. Arlington Rd and Monroe St Intersection	WS14-19301	126,000.00	x 111,912.12					111,912.12	IN
	W/WW relocation Gordon/Rhorer Ph. 1 Fullerton Pk	WS14-19302	101,150.00	89,640.00					89,640.00	IN
	LEED feasibility analysis & retrocommissioning of S	WS14-19303	15,228.00	14,466.60					14,466.60	IN
<b>2014 Projects</b>			<b>242,378.00</b>	<b>216,018.72</b>	-	-	-	-	<b>216,018.72</b>	
2015	Jordan Ave 12" Water Main Repl. 3rd to Atwater	W15-3900	40,000.00	x 36,075.63					36,075.63	IN
	Replace & Relocate 6" Water Main - Old 37 & Dunn	W15-3903	20,930.00	11,594.79					11,594.79	IN
	2015 Hydraulic Water Model	W15-3904	134,000.00	10,509.20					10,509.20	IN
	Hydrant Flow Testing	W15-3905	232,100.00	143,040.00					143,040.00	IN
									-	
									-	
	Redbud Water Storage Tank Coating Rehab ENG	WS15-20301	101,475.00	x 99,445.50					99,445.50	IN
	Redbud Water Storage Tank Coating Rehab	WS15-20302	538,001.10	500,921.10					500,921.10	IN
	Video Surveillance Upgrades & Expansion	WS15-20303	99,707.75						-	TH (22,700)
<b>2015 Projects</b>			<b>1,166,213.85</b>	<b>801,586.22</b>	-	-	-	-	<b>801,586.22</b>	
				sum of x	1,600,920.14	<b>Construction Work in Progress inside City limits</b>				

1,600,920	<b>Construction Work in Progress as of 12/31/2015</b>
(1,600,920)	<b>Construction Work in Progress inside City limits</b>
-	<b>Calculate: Construction Work in Progress outside City Limits</b>

**STATE OF INDIANA  
DEPARTMENT OF LOCAL GOVERNMENT FINANCE**

**2016 BUDGET ORDER**

Year: 2016

County: 53 Monroe

Unit: 0113 BLOOMINGTON CIVIL CITY

Unit Type: City/Town

<u>Fund</u>	<u>Certified Budget</u>	<u>Certified AV</u>	<u>Certified Levy</u>	<u>Certified Rate</u>
0101 GENERAL	\$38,382,593	\$3,392,356,742	\$20,567,859	\$0.6063
To fund the 2016 budget, this unit is authorized to transfer \$3,639 from the Levy Excess Fund, pursuant to PL 58-1993.				
Budget approved for displayed amount.				
Rate reduced to remain within statutory levy limitation.				
0184 BOND #4	\$632,515	\$3,392,356,742	\$0	\$0.0000
Budget approved for displayed amount.				
0341 FIRE PENSION	\$2,080,918	\$3,392,356,742	\$0	\$0.0000
Budget approved for displayed amount.				
0342 POLICE PENSION	\$1,376,357	\$3,392,356,742	\$0	\$0.0000
Budget approved for displayed amount.				
0706 LR &S	\$630,305	\$3,392,356,742	\$0	\$0.0000
Budget approved for displayed amount.				
0708 MVH	\$4,343,248	\$3,392,356,742	\$0	\$0.0000
Budget has been decreased because projected revenues are insufficient to fund the adopted budget.				
1301 PARK & REC	\$6,985,874	\$3,392,356,742	\$5,519,364	\$0.1627
Budget has been decreased because projected revenues are insufficient to fund the adopted budget.				
Rate reduced due to increased assessed valuation.				

**IC 6-1.1-18.5-17 and IC 20-44-3 require that each year the Department of Local Government Finance will certify to each unit of local government figures which show one hundred percent (100%) of the tax levy for each fund. If the property taxes received exceed one hundred percent (100%) of the levy, the excess shall be receipted to the "Levy Excess Fund" unless the amount is less than \$100.00 in any calendar year.**

**STATE OF INDIANA  
DEPARTMENT OF LOCAL GOVERNMENT FINANCE**

**2016 BUDGET ORDER**

Year: 2016

County: 53 Monroe

Unit: 0113 BLOOMINGTON CIVIL CITY

Unit Type: City/Town

<u>Fund</u>	<u>Certified Budget</u>	<u>Certified AV</u>	<u>Certified Levy</u>	<u>Certified Rate</u>
1380 PARK BOND	\$433,442	\$3,392,356,742	\$403,690	\$0.0119

Budget approved for displayed amount.

Rate reduced due to reduction of operating balance according to IC 6-1.1-17-22.

2379 CCI	\$468,500	\$3,392,356,742	\$0	\$0.0000
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Budget approved for displayed amount.

2391 CCD	\$1,272,225	\$3,392,356,742	\$1,635,116	\$0.0482
----------	-------------	-----------------	-------------	----------

Budget has been decreased because projected revenues are insufficient to fund the adopted budget.

Cum Rate reduced according to calculation described in IC 6-1.1-18.5-9.8.

6380 TRANS BOND	\$896,651	\$3,392,356,742	\$865,051	\$0.0255
-----------------	-----------	-----------------	-----------	----------

Budget approved for displayed amount.

Rate and/or levy increased to provide necessary funds for debt obligations in current year.

<b>Unit Total:</b>	<b>\$28,991,080</b>	<b>C \$0.8546</b>
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**IC 6-1.1-18.5-17 and IC 20-44-3 require that each year the Department of Local Government Finance will certify to each unit of local government figures which show one hundred percent (100%) of the tax levy for each fund. If the property taxes received exceed one hundred percent (100%) of the levy, the excess shall be receipted to the "Levy Excess Fund" unless the amount is less than \$100.00 in any calendar year.**





# Detail General Ledger Report

G/L Date Range 01/01/15 - 12/31/15

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger	Description/Project	Source	Reference	Debit Amount	Credit Amount	Actual Balance
G/L Account Number <b>009-52-900008-U63702 Contract Services In Lieu of Taxes</b>							Balance To Date:		\$0.00
03/27/2015	2015-00003650	JE	AP	A/P Invoice Entry	Accounts Payable		94,670.00		94,670.00
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Distribution Amount</i>
ACCT15-026	City Of Bloomington			1st & 2nd Qtr 2014 Interdepartmental	03/11/2015	Check	22592	742,739.00	94,670.00
							Total	\$742,739.00	\$94,670.00
06/19/2015	2015-00008438	JE	AP	A/P Invoice Entry	Accounts Payable		94,670.00		189,340.00
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Distribution Amount</i>
ACCT15-071	City Of Bloomington			3rd & 4th Qtr 2014 Interdepartmental	06/08/2015	Check	22861	757,215.98	94,670.00
							Total	\$757,215.98	\$94,670.00
08/14/2015	2015-00011404	JE	AP	A/P Invoice Entry	Accounts Payable		55,104.25		244,444.25
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Distribution Amount</i>
ACCT15-082	City Of Bloomington			1st Qtr 2015 Interdepartmental Agreement	07/28/2015	Check	23032	361,870.16	55,104.25
							Total	\$361,870.16	\$55,104.25
11/20/2015	2015-00016490	JE	AP	A/P Invoice Entry	Accounts Payable		55,104.25		299,548.50
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Distribution Amount</i>
ACCT15-104	City Of Bloomington			2nd Qtr of the 2015 Interdepartmental	11/09/2015	Check	23345	342,146.85	55,104.25
							Total	\$342,146.85	\$55,104.25
12/27/2015	2015-00019238	JE	AP	A/P Invoice Entry	Accounts Payable		55,104.25		354,652.75
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Distribution Amount</i>
3rd QTR 2015	City Of Bloomington			3rd QTR of 2015 Interdepartmental	02/02/2016	Check	23576	361,870.16	55,104.25
							Total	\$361,870.16	\$55,104.25
Account <b>Contract Services In Lieu of Taxes</b> Totals							<b>D</b> \$354,652.75	\$0.00	\$354,652.75

# **CITY OF BLOOMINGTON, INDIANA**

## **Accounting Workpapers Debt**

**STATE OF INDIANA  
DRINKING WATER REVOLVING LOAN PROGRAM**

TO: **FINANCIAL ASSISTANCE AGREEMENT** made as of this 23<sup>rd</sup> day of June, 2000 and between the State of Indiana (the "State") acting by and through the State Budget Agency (the "Budget Agency") and the City of Bloomington (the "Qualified Entity"), a political subdivision as defined in I.C. 13-11-2-164, operating its water utility under I.C. 8-1-2, *et seq.* witnesseth:

WHEREAS, the State's Drinking Water Revolving Loan Program (the "Drinking Water SRF Program") has been established in accordance with the federal Safe Drinking Water Act and any regulations promulgated thereunder, and pursuant to I.C. 13-18-21 (the "Drinking Water SRF Act"), which Drinking Water SRF Act also establishes the drinking water revolving loan fund (the "Drinking Water SRF Fund"); and

WHEREAS, the State is authorized pursuant to the Drinking Water SRF Act to fund the Drinking Water SRF Program with federal capitalization grants, together with required State matching funds, therefor; and

WHEREAS, the Indiana Bond Bank (the "Bond Bank") has had a longstanding commitment to finance water quality and drinking water projects for qualified entities by issuing its bonds, pursuant to I.C. 5-1.5 (the "Bond Bank Act") for the purpose of buying securities of such qualified entities; and

WHEREAS, in keeping with its public purpose under the Bond Bank Act, the Bond Bank intends to cooperate with the State in financing the Drinking Water SRF Program, including the required State matching funds, and the political subdivisions' drinking water projects and, to that end, the State intends to cooperate with the Bond Bank; and

WHEREAS, to finance the Drinking Water SRF Program, including the required State matching funds, the Bond Bank has previously and will issue from time to time one or more series of its State Revolving Fund Program Bonds; and

WHEREAS, the Qualified Entity is a duly existing political subdivision of the State, lawfully empowered to undertake all transactions and execute all documents mentioned or contemplated herein; and

WHEREAS, the Qualified Entity has previously entered into a Financial Assistance Agreement with the State, dated as of April 7, 2000 (the "Prior Agreement"), to borrow money from the Wastewater SRF Program to construct and acquire a separate project (as described and defined in the Prior Agreement); and

WHEREAS, the Qualified Entity has determined to undertake a drinking water system project (as more fully described herein, the "Project") and to borrow money from the Drinking Water SRF Program to construct and acquire the Project; and

WHEREAS, the State and the Qualified Entity desire to set forth the terms of such financial assistance as hereinafter provided.

NOW THEREFORE, in consideration of the mutual covenants herein set forth, the State and the Qualified Entity agree as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.01. Definitions.** The following terms shall, for all purposes of this Agreement, have the following meaning:

**"Agency"** shall mean the United States Environmental Protection Agency or its successor.

**"Authorizing Instrument(s)"** shall mean the separate trust indenture(s) of the Qualified Entity entered into with a corporate trustee or the detailed resolution(s) or ordinance(s) of the governing body of the Qualified Entity pursuant to which the Bonds are issued in accordance with State law.

**"Authorized Representative"** shall mean the Controller of the Qualified Entity or such other officer, official, or representative of the Qualified Entity duly authorized to act for and on behalf of the Qualified Entity as provided for herein.

**"Bond" or "Bonds"** shall mean the instrument(s) which evidence(s) the Loan, as authorized by the Authorizing Instrument and containing the terms set forth in Section 2.02 of this Agreement.

**"Bond Bank Bonds"** shall mean any Indiana Bond Bank Drinking Water State Revolving Fund Program Bonds issued as a part of the Drinking Water SRF Program.

**"Bond Fund"** shall mean the separate and segregated fund or account established and created by the Political Subdivision pursuant to the Authorizing Instrument from which payment of the principal of and interest on the Bonds is required to be made by the Qualified Entity.

**"Budget Agency"** shall mean the State Budget Agency created under I.C. 4-12-1-3 or its successor.

**"Business Day"** shall mean any day other than a Saturday, Sunday or State legal holiday or any other day on which financial institutions in the State are authorized by law to close and to remain closed.

**"Code"** shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, together with the regulations related thereto.

**"Commission"** shall mean the Indiana Utility Regulatory Commission created under I.C. 8-1-1-2 or its successor.

**"Department"** shall mean the Indiana Department of Environmental Management created under I.C. 13-13-1-1 or its successor.

**"Disbursement Request"** shall mean a request for a disbursement of the Loan made by the Authorized Representative in the form of Exhibit A to this Agreement, with appropriate attachments, or in such other forms as the State may from time to time prescribe.

**"Drinking Water SRF Fund"** shall mean the drinking water revolving loan fund as established by I.C. 13-18-21-2.

**"Drinking Water SRF Indenture"** shall mean the Drinking Water SRF Trust Indenture, dated as of September 1, 1998 between the State and the Trustee, as amended and supplemented from time to time.

**"Drinking Water SRF Program Director"** shall mean the person designated by the Department and the Budget Agency as authorized to act as the Drinking Water SRF Program Director for purposes of this Agreement.

**"Drinking Water SRF Program Representative"** shall mean the person designated by the Department and the Budget Agency as authorized to act as the Drinking Water SRF Program Representative.

**"Drinking Water System"** shall mean all, or any part of, the system for the provision to the public of water for human consumption through pipes and other constructed conveyances that:

- (1) has at least fifteen (15) service connections; or
- (2) regularly serves at least twenty-five (25) individuals;

as further defined and described in I.C. 13-11-2-177.3, 85 I.A.C. 2-2-26 and 327 I.A.C. 2-2-28, each as amended and supplemented from time to time.

**“Eligible Cost”** shall mean and include, whether incurred before or after the date of the Agreement, all costs which have been incurred and qualify for Financial Assistance, including engineering, financing and legal costs related thereto.

**“Financial Assistance”** shall mean the financial assistance authorized by the Safe Drinking Water Act, including the Loan.

**“Loan”** shall mean the purchase of the Bonds by the State to finance the planning, designing, constructing, renovating, improving and expanding of the Qualified Entity’s Drinking Water System or refinance an existing debt obligation where such debt was incurred and building of such systems began after July 1, 1993, but does not mean the provision of other Financial Assistance.

**“Operation and Maintenance”** shall mean the activities required to assure the continuing dependable and economic function of the Drinking Water System, including maintaining compliance with primary and secondary drinking water standards, as follows:

(1) Operation shall mean the control and management of the unit processes and equipment which make up the Drinking Water System, including financial and personnel management, records, reporting, laboratory control, process control, safety and emergency operation planning and operating activities.

(2) Maintenance shall mean the preservation of the functional integrity and efficiency of equipment and structures by implementing systems of preventive and corrective maintenance.

**“Plans and Specifications”** shall mean the detailed written descriptions of the work to be done in undertaking and completing the Project, including the written descriptions of the work to be performed and the drawings, cross-sections, profiles and the like which show the location, dimensions and details of the work to be performed.

**“Preliminary Engineering Report”** shall mean the information submitted by the Qualified Entity that is necessary for the Department to determine the technical, economic and environmental adequacy of the proposed Project.

**“Project”** shall mean the activities or tasks identified and described in Exhibit B to this Agreement, as amended or supplemented by the Qualified Entity and consented to by the State, for which the Qualified Entity may expend the Loan.

**“Purchase Account”** shall mean the account by that name created by the Drinking Water SRF Indenture and held as part of the Drinking Water SRF Fund.

**“Safe Drinking Water Act”** shall mean the Safe Drinking Water Act, 42 U.S.C. 300f et seq. and other laws supplemental thereto, as amended and supplemented from time to time.

**“State”** shall mean the State of Indiana, acting through the Department and the Budget Agency.

**“Substantial Completion of Construction”** shall mean the day on which the Department determines that all but minor components of the Project have been built, all equipment is operational and the Project is capable of functioning as designed.

**“Trustee”** shall mean Bank One Trust Company, NA, Indianapolis, Indiana, in its capacity as trustee or its successor under the Drinking Water SRF Indenture.

(End of Article I)

## ARTICLE II

### **PURPOSE OF BORROWING AND LOAN TERMS**

**Section 2.01. Amount; Purpose.** The State agrees to Loan an amount not to exceed Ten Million Eight Hundred Fifty Thousand Dollars (\$10,850,000.00) in aggregate principal amount to the Qualified Entity as Financial Assistance to pay for the Eligible Costs, as hereinafter described, of the Project on, and subject to, the terms and conditions contained herein. The Loan shall be used only to pay the following Eligible Costs: (a) eligible planning services for the production of a Preliminary Engineering Report ("Planning"), (b) eligible design services for the production of Plans and Specifications ("Design") and (c) eligible construction costs, including financing and legal costs ("Construction"). The Loan shall be funded solely from available proceeds of the Bond Bank Bonds contained in the Purchase Account or from other sources the State, in its sole discretion, may designate. The Loan is evidenced by the Bonds executed and delivered by the Qualified Entity contemporaneously herewith. The Bonds shall be in fully registered form, with the Bond Bank registered as the registered owner. Pursuant to certain agreements between the State and the Bond Bank, so long as the Bond Bank is the registered owner, the principal of and redemption premium, if any, and interest on the Bonds shall be paid to the Trustee by a wire transfer referenced as follows: Bank One, N.A., BNF: Corporate Trust Services, ABA 044000037, A/C 980219029, SWIFT: INDIANA BOND BANK SRF, Attn: John Stephens (317) 756-1320. The Qualified Entity agrees to undertake and complete the Project and to receive and expend the Loan proceeds in accordance with this Agreement.

#### **Section 2.02. The Bonds.**

(a) The Bonds will not bear interest for the two year period from the date of this Agreement and thereafter will bear interest at the per annum rate of two and nine-tenths percent (2.9%) (calculated on the basis of a 360-day year comprised of twelve 30-day months) until paid, as provided in I.C. 13-18-21-10 and -15. Interest, if any, on the Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2002. The Bonds will be in the aggregate principal amount of Ten Million Eight Hundred Fifty Thousand Dollars (\$10,850,000.00). Subject to Section 2.05 herein, the Bonds will mature semiannually on January 1 and July 1 of each of the years set forth in, and at the principal amount set opposite each such month and year set forth in, the schedule contained in Exhibit C to this Agreement; provided, however, notwithstanding the foregoing or the terms of the Bonds to the contrary, no maturity of Bonds shall extend beyond the date which is twenty (20) years after Substantial Completion of Construction. If the maturity date for any Bonds is beyond such date, unless otherwise agreed to, such Bonds, together with accrued and unpaid interest thereon, will be due and payable on such date.



(b) The Bonds will be subject to redemption by the Qualified Entity as provided in the Authorizing Instrument.

(c) The form and other terms of the Bonds will be in conformity with the Authorizing Instrument.

**Section 2.03. Disbursement Conditions.** Each of the following shall be a condition precedent to the disbursement of the Loan or any portion thereof:

(a) (1) With respect to procurement of professional services related to the Project to be paid from Loan proceeds, the Qualified Entity shall have complied with 85 I.A.C. 2-2-26 and 327 I.A.C. 14-10-1. (2) With respect to procurement of all other goods and services related to the Project to be paid from Loan proceeds, the Qualified Entity shall have complied with I.C. 36-1-12.

(b) No representation, warranty or covenant of the Qualified Entity contained in this Agreement or in any paper executed and delivered in connection with the transactions contemplated by this Agreement shall be false or inaccurate in any material respect.

(c) The Qualified Entity shall undertake and faithfully perform each of its obligations, agreements and covenants contained in this Agreement, the Authorizing Instrument and the Bonds.

(d) There shall be available to the State uncommitted funds in an amount sufficient to satisfy the State's obligations hereunder from the proceeds of Bond Bank Bonds in the Purchase Account.

(e) The Qualified Entity shall have undertaken all actions necessary to comply with and satisfied the conditions and requirements for a Loan secured with money made available from the Drinking Water SRF Fund as set forth in federal and State statutes, rules and regulations, including I.C. 13-18-21, 85 I.A.C. 2, 327 I.A.C. 14, the Safe Drinking Water Act.

(f) Prior to making any Loan disbursement to pay any Construction costs, the Project shall have been approved by the State's Historical Preservation Officer in a manner consistent with the policies and practices of the SRF Program (the "Historical Preservation Approval"). Notwithstanding any provision of this Agreement to the contrary, in the event a Historical Preservation Approval has not been given within four (4) months after the date of this Agreement, the State may, in its sole discretion, reduce the aggregate amount of the Loan to the amount then disbursed and outstanding under this Agreement. Upon giving notice to the Qualified Entity of such action, no further Loan disbursement may be made under this Agreement unless consented to by the State.

**Section 2.04. Disbursement Procedures.** Loan proceeds shall be disbursed to the Qualified Entity by the Trustee for actual Eligible Costs incurred with respect to the Project. The State may, in its discretion, cause Loan disbursements to be made (a) directly to the person or entity identified in the Disbursement Request to whom payment is due, or (b) if advised in writing by the Qualified Entity that I.C. 36-1-12-14 or a similar law applies to the Project, to the Qualified Entity for purposes of collecting retainage, or some combination thereof. Any Loan proceeds in excess of the amount subject to retainage controlled by the Qualified Entity will be immediately remitted to the person or entity to whom payment is due, no later than three (3) Business Days after receipt or the date such Loan proceeds are no longer subject to retainage. Loan disbursements shall not be made more frequently than monthly and shall only be made following the submission of a Disbursement Request to the State. Disbursement Requests shall be approved by the Department and the Drinking Water SRF Program Representative prior to submission to the Trustee for a Loan disbursement. Disbursement Requests shall be numbered sequentially, beginning with the number 1.

**Section 2.05. Effect of Disbursements.** Loan disbursements made to or for the benefit of the Qualified Entity shall be deemed to be a purchase of the Bonds in such amounts and with such maturities as achieves as level a debt service as practicable, and with no maturity longer than the original maturity schedule; provided that any principal payments originally scheduled under Section 2.02 herein as being due prior to one year after Substantial Completion of Construction shall first be deemed to be a purchase of the Bonds in order of maturity. Interest on the Loan commences on the day that the State approves a Disbursement Request and forwards such Disbursement Request to the Trustee for payment. In the event any Loan disbursement is made in excess of Eligible Costs, such excess disbursements shall be immediately paid by the Qualified Entity to the Trustee and may, subject to the terms and conditions set forth in this Agreement, be borrowed by the Qualified Entity.

**Section 2.06. Acknowledgment of Amount of Loan; Final Disbursement.** Within 30 days after any request by the State from time to time, the Qualified Entity shall execute and deliver to the State an acknowledgment in the form prescribed by the State which acknowledges the outstanding principal of and interest on the Bonds. Unless the State consents in writing, no Loan disbursement shall be made more than one year after Substantial Completion of Construction. After Substantial Completion of Construction, upon the request of the State, the Qualified Entity shall replace, at its expense, the Bonds with substitutes issued pursuant to the Authorizing Instrument to evidence the outstanding principal under the Loan.

(End of Article II)

### ARTICLE III

#### **REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE QUALIFIED ENTITY**

**Section 3.01. Planning, Design and Construction Covenants.** The Qualified Entity hereby covenants and agrees with the State that the Qualified Entity will:

(a) Provide information as requested by the State to determine the need for, or to complete any necessary, environmental review or analysis.

(b) Comply with the procurement procedures and affirmative action requirements contained in 85 I.A.C. 2-10 and 327 I.A.C. 14-10 in the Planning, Design and Construction of the Project to the extent that such are to be paid from Loan proceeds.

(c) With respect to prime and first tier contract awards, report minority and women business enterprise utilization in the Planning, Design and Construction of the Project, to the extent that such are to be paid from Loan proceeds, by executing and delivering Agency Form SF 5700-528-5-96 to the Department whenever any agreements or subagreements are awarded. (These reports must be submitted by the 15th day of each January, April, July and October after which such agreement or subagreement is awarded).

(d) Comply with all applicable federal, State and local statutes, rules and regulations relating to the acquisition and construction of the Drinking Water System.

(e) In the event Construction is to be paid from Loan proceeds, prior to an award of any contract for Construction of the Project, obtain a construction permit from the Department and receive the written approval of the Department of the Preliminary Engineering Report.

(f) Obtain the property rights necessary to construct the Drinking Water System and, in procuring any such rights comply with federal and State law.

(g) In the event Construction is to be paid from Loan proceeds, comply with the federal Davis-Bacon Act, codified at 40 U.S.C. 276a-276a-5.

(h) In the event Construction is to be paid from Loan proceeds, execute and deliver to the Department Agency Form 4700-4 ("Pre-award Compliance Review Report for Wastewater Treatment Construction Grants") and Agency Form 5700-49 ("Certification Regarding the Debarment, Suspension, and Other Responsibility Matters").

(i) In the event Construction is to be paid from Loan proceeds, follow guidance issued by the Department in procuring contracts for Construction, including (1) submission to the Department of Project change orders, (2) obtaining approval from the Drinking Water SRF Program Director and the Drinking Water SRF Program Representative of any Project change order which significantly changes the scope or Design of the Project or, when taking into account other change orders and contracts, are reasonably expected to result in expenditures in an amount greater than the Loan, (3) receiving approval from the Drinking Water SRF Program Director prior to the award of any contract for Construction and (4) receiving authorization from the Drinking Water SRF Program Director prior to initiating procurement of construction of the Project.

(j) In the event Construction is to be paid from Loan proceeds, before awarding Construction contracts, receive approval of the Drinking Water SRF Program Director for any interlocal agreement associated with the Project.

(k) In the event Construction is to be paid from Loan proceeds, cause the Project to be constructed in accordance with the Preliminary Engineering Report and the Plans and Specifications, using approved contract papers.

(l) Permit the State and its agents to inspect from time to time (1) the Project, (2) the Drinking Water System and (3) the books and other financial records of the Drinking Water System, including the inspections described in 85 I.A.C. 2-11-7, 85 I.A.C. 2-12-1, 327 I.A.C. 14-11-7 and 327 I.A.C. 14-12-1. Construction contracts shall provide that the State or its agents will have access to the Project and the work related thereto and that the Qualified Entity's contractor will provide proper facilities for such access and inspection. All files and records pertaining to the Project shall be retained by the Qualified Entity for at least six years after Substantial Completion of Construction.

(m) Upon Substantial Completion of Construction and when requested by the State, provide audited reports to the State to permit the State to determine that the Loan proceeds have been used in compliance with this Agreement.

(n) In the event Construction is to be paid from Loan proceeds, within one year of Substantial Completion of Construction, provide as-built plans for the Project to the Department.

**Section 3.02. General Covenants.** The Qualified Entity hereby covenants and agrees with the State that the Qualified Entity will:

(a) Comply with all applicable federal, State and local statutes, rules and regulations relating to Operation and Maintenance.

(b) (1) Own, operate and maintain the Project and the Drinking Water System for their useful life, or cause them to be operated and maintained for their useful life; (2) at all times maintain the Drinking Water System in good condition and operate it in an efficient manner and at a reasonable cost; and (3) not sell, transfer, lease or otherwise encumber the Drinking Water System or any portion thereof or any interest therein without the prior written consent of the State.

(c) Obtain and maintain the property rights necessary to operate and maintain the Drinking Water System, and in procuring any such rights, comply with federal and State law.

(d) Acquire and maintain insurance coverage acceptable to the State, including fidelity bonds, to protect the Drinking Water System and its operations. All insurance shall be placed with responsible insurance companies qualified to do business under State law. Insurance proceeds and condemnation awards shall be used to replace or repair the Drinking Water System unless the State consents to a different use of such proceeds or awards.

(e) Establish and maintain the books and other financial records of the Project (including the establishment of a separate account or subaccount for the Project) and the Drinking Water System in accordance with (1) generally accepted governmental accounting principles, as promulgated by the Government Accounting Standards Board and (2) the rules, regulations and guidance of the State Board of Accounts.

(f) Provide to the State such periodic financial and environmental reports as it may request from time to time, including (1) annual operating and capital budgets and (2) such other information requested or required of the State or the Qualified Entity by the Agency.

(g) Provide notice to the Department under the circumstances contemplated, and undertake inspections as required, by 85 I.A.C. 2-11-7 and 327 I.A.C. 14-11-7.

(h) (1) Establish and maintain just and equitable rates and charges for the use of and the service rendered by the Drinking Water System, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses the Drinking Water System, or that in any way uses or is served by the Drinking Water System, (2) establish, adjust and maintain rates and charges at a level adequate to produce and maintain sufficient revenue (including user and other charges, fees, income or revenues available to the Qualified Entity) to provide for the proper Operation and Maintenance of the Drinking Water System, to comply with and satisfy all covenants

contained herein and to pay all obligations of the Drinking Water System and of the Qualified Entity with respect thereto, and (3) if and to the extent Bonds are payable from property taxes, levy each year a special ad valorem tax upon all property located in the boundaries of the Qualified Entity, to pay all obligations of the Qualified Entity with respect thereto.

(i) If the Bonds are payable from the revenues of the Drinking Water System, not borrow any money, enter into any contract or agreement or incur any other liabilities in connection with the Drinking Water System without the prior written consent of the State if such undertaking would involve, commit or use the revenues of the Drinking Water System; provided that the Qualified Entity may authorize and issue additional obligations, payable out of the revenues of its Drinking Water System, ranking on a parity with the Bonds for the purpose of financing the cost of future additions, extensions and improvements to the Drinking Water System, or to refund obligations of the Drinking Water System, subject to the conditions, if any, in the Authorizing Instrument.

(j) Comply with the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000d *et seq.*, the Age Discrimination Act, as amended, Public Law 94-135, Section 504 of the Rehabilitation Act of 1973, as amended (including Executive Orders 11914 and 11250), 29 U.S.C. Section 794, Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Public Law 92-500, Executive Order 11246 regarding equal employment opportunity, and Executive Orders 11625 and 12138.

(k) Undertake all actions necessary to investigate all potential, material claims which the Qualified Entity may have against other persons with respect to the Drinking Water System and the Project and take whatever action is necessary or appropriate to (1) recover on any actionable, material claims related to the Project or the Planning, Design or Construction thereof, (2) meet applicable Project performance standards and (3) otherwise operate the Drinking Water System in accordance with applicable federal, State and local law.

(l) Not modify, alter, amend, add to or rescind any provision of the Authorizing Instrument without the prior written consent of the State.

**Section 3.03. Representations and Warranties of the Qualified Entity.** After due investigation and inquiry, the Qualified Entity hereby represents and warrants to the State that:

(a) The Qualified Entity is duly organized and existing under state law, and constitutes a "political subdivision" within the meaning of I.C. 13-11-2-164. The Project and the Drinking Water System are subject to I.C. 8-1.5-2, *et seq.*

(b) The Qualified Entity and its Drinking Water System are subject to the jurisdiction of the Commission under I.C. 8-1-2 and the Project and the Bonds are subject to the Commission's review and approval requirements. If the Qualified Entity or its Drinking Water System is subject to the jurisdiction of the Commission under I.C. 8-1-2 or any other applicable law, the Commission has reviewed and approved the Project and the issuance of the Bonds and no additional approvals or consents are required to be obtained from the Commission related thereto.

(c) The Qualified Entity has full power and authority to adopt the Authorizing Instrument, enter into this Agreement and issue the Bonds and perform its obligations hereunder and thereunder.

(d) By all required action, the Qualified Entity has duly adopted the Authorizing Instrument and authorized the execution and delivery of this Agreement, the Bonds and all other papers delivered in connection herewith.

(e) Neither the execution of, nor the consummation of the transaction contemplated by, this Agreement nor the compliance with the terms and conditions of any other paper referred to herein, shall conflict with, result in a breach of or constitute a default under, any indenture, mortgage, lease, agreement or instrument to which the Qualified Entity is a party or by which the Qualified Entity or its property, including the Drinking Water System, is bound or any law, regulation, order, writ, injunction or decree of any court or governmental agency or instrumentality having jurisdiction.

(f) There is no litigation pending or, to the knowledge of the Qualified Entity, upon investigation, threatened that (1) challenges or questions the validity or binding effect of this Agreement, the Authorizing Instrument or the Bonds or the authority or ability of the Qualified Entity to execute and deliver this Agreement or the Bonds and perform its obligations hereunder or thereunder or (2) would, if adversely determined, have a significant adverse effect on the ability of the Qualified Entity to meet its obligations under this Agreement, the Authorizing Instrument or the Bonds.

(g) The Qualified Entity has not at any time failed to pay when due interest or principal on, and it is not now in default under, any warrant or other evidence of obligation or indebtedness of the Qualified Entity.

(h) All information furnished by the Qualified Entity to the State or any of the persons representing the State in connection with the Loan or the Project is accurate and complete in all material respects.

(i) The Qualified Entity has taken or will take all proceedings required by law to enable it to issue and sell the Bonds as contemplated by this Agreement.

Each of the foregoing representations and warranties will be deemed to have been made by the Qualified Entity as of the date of this Agreement and as of the date of any disbursement of Loan proceeds. Each of the foregoing representations and warranties shall survive the Loan disbursements regardless of any investigation or investigations the State may have undertaken.

**Section 3.04. Covenants Regarding Assignment.** The Qualified Entity acknowledges that the State may direct the Bond Bank to sell or assign the Bonds, and certain of its rights related thereto, as permitted pursuant to Section 5.02 herein. The Qualified Entity covenants and agrees to cooperate with and assist in, at its expense, any such assignment. Within 30 days following a request by the State, the Qualified Entity covenants and agrees with the State that the Qualified Entity will, at its expense, furnish any information, financial or otherwise, with respect to the Qualified Entity, this Agreement, the Authorizing Instrument and the Bonds of the Drinking Water System as the State reasonably requests in writing to facilitate the sale or assignment of the Bonds.

**Section 3.05. Nature of Information.** All information furnished by the Qualified Entity to the State or any person representing the State in connection with the Loan or the Project may be furnished to any other person the State, in its judgment, deems necessary or desirable in its operation and administration of the Drinking Water SRF Program.

**Section 3.06. Tax Covenants.** The Qualified Entity hereby covenants that it will not take, or cause or permit to be taken by it or by any party under its control, or fail to take or cause to permit to be taken by it or by any party under its control, any action that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to Section 103 of the Code. The Qualified Entity further covenants that it will not do any act or thing that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code or "arbitrage bonds" within the meaning of Section 148 of the Code. In furtherance and not in limitation of the foregoing, the Qualified Entity shall take all action necessary and appropriate to comply with the arbitrage rebate requirements under Section 148 of the Code to the extent applicable to the Qualified Entity or the Bonds, including accounting for and making provision for the payment of any and all amounts that may be required to be paid to the United States of America from time to time pursuant to Section 148 of the Code.

**Section 3.07. Non-Discrimination Covenant.** Pursuant to and with the force and effect set forth in I.C. 22-9-1-10, the Qualified Entity hereby covenants that the Qualified Entity, and its contractor and subcontractor for the Project, shall not discriminate against any employee or applicant for employment, to be employed in the performance of this Agreement, with respect to the hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, sex, disability, national origin or ancestry.

(End of Article III)



## ARTICLE IV

### DEFAULTS

**Section 4.01. Remedies.** The State's obligation to make a disbursement under the Loan to the Qualified Entity hereunder may be terminated at the option of the State, without giving any prior notice to the Qualified Entity, in the event: (a) the Qualified Entity fails to undertake or perform in a timely manner any of its agreements, covenants, terms or conditions set forth herein or in any paper entered into or delivered in connection herewith; or (b) any representation or warranty made by the Qualified Entity as set forth herein or in any paper entered into or delivered in connection herewith is materially false or misleading. Any such event shall constitute an event of default. If an event of default occurs, the State without giving any prior notice, may declare the entire outstanding principal amount of the Loan, together with accrued interest thereon, immediately due and payable.

**Section 4.02. Effect of Default.** Failure on the part of the State in any instance or under any circumstance to observe or perform fully any obligation assumed by or imposed upon the State by this Agreement or by law shall not make the State liable in damages to the Qualified Entity or relieve the Qualified Entity from paying any Bond or fully performing any other obligation required of it under this Agreement or the Authorizing Instrument; provided, however, that the Qualified Entity may have and pursue any and all other remedies provided by law for compelling performance by the State of such obligation assumed by or imposed upon the State. The obligations of the State hereunder do not create a debt or a liability of the State under the constitution of the State or a pledge of the faith or credit of the State and do not directly, indirectly or contingently, obligate the State to levy any form of taxation for the payment thereof or to make any appropriation for their payment. Neither the State nor any agent, attorney, member or employee of the State shall in any event be liable for damages, if any, for the nonperformance of any obligation or agreement of any kind whatsoever set forth in this Agreement.

**Section 4.03. Defaults under other Financial Assistance Agreements.** The Qualified Entity and the State agree that any event of default occurring under the Prior Agreement shall constitute an event of default under this Agreement. Similarly, the Qualified Entity and the State agree that any event of default under this Agreement, or under any subsequent financial assistance agreement enter into between the Qualified Entity and the State, shall constitute an event of default under the Prior Agreement and the subsequent financial assistance agreement, if any, as the case may be.

(End of Article IV)

## ARTICLE V

### MISCELLANEOUS

**Section 5.01. Citations.** Any reference to a part, provision, section or other reference description of a federal or State statute, rule or regulation contained herein shall include any amendments, replacements or supplements to such statutes, rules or regulation as may be made effective from time to time.

**Section 5.02. Assignment.** Neither this Agreement, nor the Loan or the proceeds thereof may be assigned by the Qualified Entity without the prior written consent of the State and any attempt at such an assignment without such consent shall be void. The State may at its option sell or assign all or a portion of its rights and obligations under this Agreement, the Authorizing Instrument, and the Bonds to an agency of the State or to a separate body corporate and politic of the State or to a trustee under trust instrument to which the State or any assignee is a beneficiary or party. The State may at its option assign all or a portion of its rights under this Agreement to any person. The Qualified Entity hereby consents to any such assignment by the State. This Agreement shall be binding upon and inure to the benefit of any permitted successor and assign.

**Section 5.03. No Waiver.** Neither the failure of the State nor the delay of the State to exercise any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other further exercise of any other right, power or privilege.

**Section 5.04. Modifications.** No change or modification of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

**Section 5.05. Entire Agreement.** This Agreement contains the entire agreement between the parties hereto and there are no promises, agreements, conditions, undertakings, warranties and representations, either written or oral, expressed or implied between the parties hereto other than as herein set forth or as may be made in the Authorizing Instrument and the other papers delivered in connection herewith. In the event there is a conflict between the terms of this Agreement and the Authorizing Instrument, the terms of this Agreement shall control. It is expressly understood and agreed that except as otherwise provided herein this Agreement represents an integration of any and all prior and contemporaneous promises, agreements, conditions, undertakings, warranties and representations between the parties hereto. This Agreement shall not be deemed to be a merger or integration of the existing terms under the Prior Agreement except as expressly set forth in Section 4.03 herein.

**Section 5.06. Execution of Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be executed by the State and the Qualified Entity,

all of which shall be regarded for all purposes as one original and shall constitute one and the same instrument.

**Section 5.07. Severability of Invalid Provisions.** If any one or more of the covenants or agreements provided in this Agreement on the part of the State or the Qualified Entity to be performed shall be deemed by a court of competent jurisdiction to be contrary to law or cause the Bonds to be invalid as determined by a court of competent jurisdiction, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements and waived and shall in no way affect the validity of the other provisions of this Agreement.

**Section 5.08. Notices.** All notices hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered personally or sent or transmitted to the appropriate destination as set forth below in the manner provided for herein. Notice to the State shall be given by providing such notice to both the Budget Agency and the Department as follows:

State of Indiana  
Department of Environmental Management  
100 North Senate, 12th Floor  
Post Office Box 6015  
Indianapolis, Indiana 46206-6015  
Attention: Drinking Water SRF Program Director

State of Indiana  
State Budget Agency  
212 State House  
Indianapolis, Indiana 46204  
Attention: Drinking Water SRF Program Representative

or at such other address(es) or number(s) and to the attention of such other person(s) as the State may designate by notice to the Qualified Entity. Notices to the Qualified entity shall be addressed to:

City of Bloomington  
City Hall  
P.O. Box 100  
Bloomington, Indiana 47402  
Attention: Controller

or at such other address(es) or number(s) and to the attention of such other person(s) as the Qualified Entity may designate by notice to the State. Any notice hereunder shall be deemed to have been served or given as of (a) the date such notice is personally delivered, (b) three (3)

Business Days after it is mailed U.S. mail, First Class postage prepaid, (c) one (1) Business Day after it is sent on such terms by Federal Express or similar next-day courier, or (d) the next Business Day as it is sent by facsimile transmission with telephonic confirmation of receipt by the recipient to whom it is sent.

**Section 5.09. Expenses.** The Qualified Entity covenants and agrees to pay (a) the fees, costs and expenses in connection with making the Loan, including issuing the Bonds and obtaining the necessary certificates, documents and opinions required to be delivered in connection with; (b) the fees, costs and expenses in connection with making and administering the Loan; (c) the costs and expenses of complying with its covenants made herein; and (d) any and all fees, costs and expenses, including attorneys' fees, incurred by the State in connection with the enforcement of this Agreement, the Authorizing Instrument and the Bonds in the event of the breach by the Qualified Entity of or a default under this Agreement, the Authorizing Instrument or the Bonds. Notwithstanding clause (b) above, the Qualified Entity shall not be obligated to pay any of the fees, costs and expenses in connection with administering the Loan except as follows: (1) the State may request and the Qualified Entity shall promptly pay, an annual administrative fee in connection with the Loan in an amount determined by the State, but not exceeding \$1,000; (2) for so long as the State or the Bond Bank is the registered owner of the Bonds, at the direction of the State, the interest rate on the Bonds may be adjusted to lower the interest rate on the Bonds, and the difference between the amount payable as the original rate on the Bonds and the lower rate shall be deemed an additional administrative fee in connection with the Drinking Water SRF Program; and (3) the Qualified Entity shall only be obligated to pay fees, costs and expenses of the State's counsel and financial advisers in connection with making the Loan up to \$5,000.

**Section 5.10. Applicable Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Indiana.

**Section 5.11. Term.** This Agreement shall terminate at such time as the Qualified Entity has fully met and discharged all of its obligations hereunder, which term may extend beyond the final payment of the Bonds or provision for the payment of the Bonds pursuant to the Authorizing Instrument.

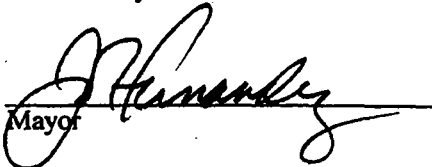
(End of Article V)

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers or officials, all as of the date first above written.

**CITY OF BLOOMINGTON**

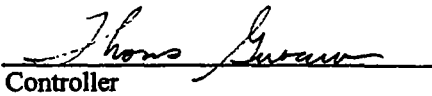
"Qualified Entity"

By:

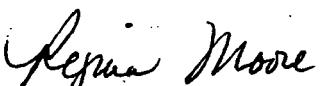
  
Mayor

**COUNTERSIGNED**

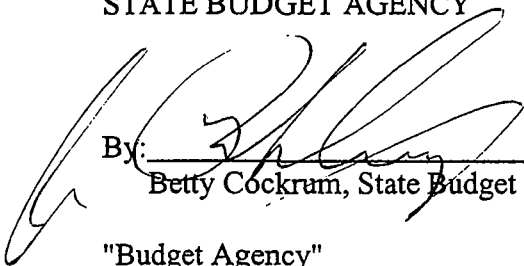
By:

  
Controller

Attest:

  
City Clerk

STATE BUDGET AGENCY

By:   
Betty Cockram, State Budget Director

"Budget Agency"

Approved:

DEPARTMENT OF ADMINISTRATION

By:   
Glenn Lawrence, Commissioner

Approved as to form and legality: \*

ATTORNEY GENERAL OF THE STATE  
OF INDIANA

\* By reference to a form contract approval made by Priscilla Keith, Special Services Section Chief, Office of the Attorney General, in correspondence addressed to Rich Emery, SRF Program Representative, dated February 15, 2000, pursuant to I.C. 4-13-2-14.3(e), this agreement is not required to be individually approved.

## EXHIBIT A

State of Indiana  
**STATE DRINKING WATER REVOLVING LOAN (SRF) PROGRAM**  
100 North Senate Avenue  
P. O. Box 6015  
Indianapolis, Indiana 46206-6015  
(317) 232-8631

### REQUEST FOR A DISBURSEMENT

The undersigned Authorized Representative of the Qualified Entity named in this Request, on behalf of such Qualified Entity, hereby (i) requests that the State make a Disbursement, or cause a Disbursement to be made, in accordance with this Request and (ii) directs that the State mail, or cause to be mailed, the Disbursement to the Qualified Entity or the Contractor named in this Request.

#### Instructions

1. This Request is applicable only to costs of the Qualified Entity's drinking water project eligible for financing from the State Drinking Water Revolving Loan Fund (the "SRF").
2. Combine multiple bills from a single contractor on one request form.
3. Attach a copy of the claim (a bill, an invoice or a statement) underlying this Request.
4. Complete the required information and please answer all questions.
5. Indicate on this Request if the Qualified Entity has paid all or part of the Contractor's claim and is seeking reimbursement. Attach evidence that such payment was made and the date on which it was made.
6. Inquires related to the status of a Disbursement request must be directed to the Qualified Entity. The Qualified Entity can then contact this office for the information. Please contact your contractors about this policy.
7. Requested amounts must be rounded to the nearest whole dollar.
8. The Request must be typed.

**DISBURSEMENT REQUEST INFORMATION**

Community: \_\_\_\_\_ Project No.: CS \_\_\_\_\_  
 Billing Address: \_\_\_\_\_ Request No.: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Contact Person: \_\_\_\_\_ Contact Phone No.: (\_\_\_\_) \_\_\_\_\_  
 Community's Authorized Representative: \_\_\_\_\_  
 Authorized Representative's Phone No.: \_\_\_\_\_  
 Description of Work for which claim is being made (service, fees, type of, etc.): \_\_\_\_\_

<u>Contractor</u>	<u>Address</u>	<u>Amount Requested</u>
		\$ _____
Original Loan Amount .....		\$ _____
Total Amount of Previous Disbursements .....		\$ _____
<u>Amount of this Request</u> .....		\$ _____
Balance Available after this Disbursement .....		\$ _____

Is a portion of the claim underlying this Request subject to retainage under I.C. 36-1-12-14 or a similar law? YES \_\_\_ NO \_\_\_

If yes the retainage amount is ..... \$ \_\_\_\_\_

Has the Qualified Entity paid the request and seeking reimbursement? YES \_\_\_ NO \_\_\_

The undersigned hereby certifies that this Request is true and correct, that the claim underlying this Request is legally due (and is payable from the SRF) in accordance with the Financial Assistance Agreement with the State.

DATE: \_\_\_\_\_

\_\_\_\_\_  
 SIGNATORY SIGNATURE



**STATE AUTHORIZATION**

The Department of Environmental Management finds \$ \_\_\_\_\_ of the claim underlying  
Request to be eligible SRF Costs to be disbursed as directed below.

The Program Representative hereby (i) authorizes Bank One Trust Company, NA, as trustee, to  
disburse the amount stated in the preceding sentence and (ii) directs that such amount be mailed

\$ \_\_\_\_\_ the Contractor at the address identified on page 2.

\$ \_\_\_\_\_ the Qualified Entity at the address identified on page 2.

DEPARTMENT OF ENVIRONMENTAL  
MANAGEMENT

PROGRAM REPRESENTATIVE

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Trustee Certification**

The undersigned, on behalf of Bank One Trust Company, NA, as trustee, hereby certifies that a  
Disbursement in the amount authorized by the State, together with a completed copy of this  
Request, was mailed on \_\_\_\_\_, 200\_ to the party stated under "State Authorization"  
above. Further, a copy of this completed Request has been mailed to the Qualified Entity and the  
Department of Environmental Management.

BANK ONE TRUST COMPANY, NA, as Trustee

## **EXHIBIT B**

The Project will add two engine generators for standby power at the Monroe Water Treatment Plant; replace motor controllers on one transfer pump, one intake pump and two high service pumps; replace motor starters on constant speed high service pumps; construct a new Oil Tank; and construct a residuals handling facility.

The Project is more fully described in, and shall be in accordance with, the Preliminary Engineering Report and the Plans and Specifications approved by the Department.

**EXHIBIT C**  
**Principal Payment Schedule**

<u>Date</u>	<u>Principal Amount</u>
1/1/2002	\$1,000
7/1/2002	1,000
1/1/2003	1,000
7/1/2003	1,000
1/1/2004	1,000
7/1/2004	1,000
1/1/2005	1,000
7/1/2005	1,000
1/1/2006	1,000
7/1/2006	1,000
1/1/2007	1,000
7/1/2007	1,000
1/1/2008	1,000
7/1/2008	1,000
1/1/2009	1,000
7/1/2009	379,000
1/1/2010	385,000
7/1/2010	393,000
1/1/2011	397,000
7/1/2011	404,000
1/1/2012	409,000
7/1/2012	415,000
1/1/2013	420,000
7/1/2013	428,000
1/1/2014	433,000
7/1/2014	440,000
1/1/2015	445,000
7/1/2015	454,000
1/1/2016	458,000
7/1/2016	467,000
1/1/2017	472,000
7/1/2017	480,000
1/1/2018	486,000
7/1/2018	494,000
1/1/2019	500,000
7/1/2019	508,000
1/1/2020	515,000
7/1/2020	523,000
1/1/2021	530,000
<b>Total</b>	<b>\$10,850,000.00</b>

**STATE OF INDIANA  
DRINKING WATER REVOLVING LOAN PROGRAM**

**FINANCIAL ASSISTANCE AGREEMENT** made as of this 18th day of April, 2003 and between the State of Indiana (the "State") acting by and through the State Budget Agency (the "Budget Agency") and the City of Bloomington, Indiana (the "Qualified Entity"), a political subdivision as defined in I.C. 13-11-2-164, operating its water utility under I.C. 8-1.5-2, *et seq.* Witnesseth:

WHEREAS, the State's Drinking Water Revolving Loan Program (the "Drinking Water Program") has been established in accordance with the federal Safe Drinking Water Act and the regulations promulgated thereunder, and pursuant to I.C. 13-18-21 (the "Drinking Water SRF Act"), which Drinking Water SRF Act also establishes the drinking water revolving loan fund (the "Drinking Water SRF Fund"); and

WHEREAS, the State is authorized pursuant to the Drinking Water SRF Act to fund the Drinking Water SRF Program with federal capitalization grants, together with required State matching funds, therefor; and

WHEREAS, the Indiana Bond Bank (the "Bond Bank") has had a longstanding commitment to finance water quality and drinking water projects for qualified entities by issuing its bonds, pursuant to I.C. 5-1.5 (the "Bond Bank Act") for the purpose of buying securities of such qualified entities; and

WHEREAS, in keeping with its public purpose under the Bond Bank Act, the Bond Bank intends to cooperate with the State in financing the Drinking Water SRF Program, including the required State matching funds, and the political subdivisions' drinking water projects and, to that end, the State intends to cooperate with the Bond Bank; and

WHEREAS, to finance the Drinking Water SRF Program, including the required State matching funds, the Bond Bank has previously and will issue from time to time one or more series of its State Revolving Fund Program Bonds; and

WHEREAS, the Qualified Entity is a duly existing political subdivision of the State, lawfully empowered to undertake all transactions and execute all documents mentioned or contemplated herein; and

WHEREAS, the Qualified Entity has previously entered into with the State a Financial Assistance Agreement, dated as of April 7, 2000, a Financial Assistance Agreement, dated as of June 23, 2000 and an Amended Restated Financial Assistance Agreement, dated as of June 30, 2000 as amended and restated as December 29, 2000 (each a "Prior Agreement" and collectively the "Prior Agreements"), to borrow money from the Wastewater SRF Program and Drinking Water SRF Program to construct and acquire separate projects (as described and defined in the respective Prior Agreement); and

WHEREAS, the Qualified Entity has determined to undertake a drinking water system (as more fully described herein, the "Project") and to borrow money from the Drinking Water SRF Program to construct and acquire the Project, which is separate from the projects described in the Prior Agreements; and

WHEREAS, the State and the Qualified Entity desire to set forth the terms of such financial assistance as hereinafter provided.

NOW THEREFORE, in consideration of the mutual covenants herein set forth, the State and the Qualified Entity agree as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.01. Definitions.** The following terms shall, for all purposes of this Agreement, have the following meaning:

**"Agency"** shall mean the United States Environmental Protection Agency or its successor.

**"Authorizing Instrument(s)"** shall mean the separate trust indenture(s) of the Qualified Entity entered into with a corporate trustee or the detailed resolution(s) or ordinance(s) of the governing body of the Qualified Entity pursuant to which the Bonds are issued in accordance with State law.

**"Authorized Representative"** shall mean the Controller of the Qualified Entity or such other officer, official, or representative of the Qualified Entity duly authorized to act for and on behalf of the Qualified Entity as provided for herein.

**"Bond"** or **"Bonds"** shall mean the instrument(s) which evidence(s) the Loan, as authorized by the Authorizing Instrument and containing the terms set forth in Section 2.02 of this Agreement.

**"Bond Bank Bonds"** shall mean any Indiana Bond Bank Drinking Water State Revolving Fund Program Bonds issued as a part of the Drinking Water SRF Program.

**"Bond Fund"** shall mean the separate and segregated fund or account established and created by the Political Subdivision pursuant to the Authorizing Instrument from which payment of the principal of and interest on the Bonds is required to be made by the Qualified Entity.

**"Budget Agency"** shall mean the State Budget Agency created under I.C. 4-12-1-3 or its successor.

**“Business Day”** shall mean any day other than a Saturday, Sunday or State legal holiday or any other day on which financial institutions in the State are authorized by law to close and to remain closed.

**“Code”** shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, together with the regulations related thereto.

**“Commission”** shall mean the Indiana Utility Regulatory Commission created under I.C. 13-13-1-2 or its successor.

**“Department”** shall mean the Indiana Department of Environmental Management created under I.C. 13-13-1-1 or its successor.

**“Disbursement Request”** shall mean a request for a disbursement of the Loan made by the Authorized Representative in the form of Exhibit A to this Agreement, with appropriate attachments, or in such other forms as the State may from time to time prescribe.

**“Drinking Water SRF Fund”** shall mean the drinking water revolving loan fund as established by I.C. 13-18-21-2.

**“Drinking Water SRF Indenture”** shall mean the Drinking Water SRF Trust Indenture, dated as of September 1, 1998 between the State and the Trustee, as amended and supplemented from time to time.

**“Drinking Water SRF Program Director”** shall mean the person designated by the Department and the Budget Agency as authorized to act as the Drinking Water SRF Program Director for purposes of this Agreement.

**“Drinking Water SRF Program Representative”** shall mean the person designated by the Department and the Budget Agency as authorized to act as the Drinking Water SRF Program Representative.

**“Drinking Water System”** shall mean all, or any part of, the system for the provision to the public of water for human consumption through pipes and other constructed conveyances that:

- (1) has at least fifteen (15) service connections; or
- (2) regularly serves at least twenty-five (25) individuals;

and as further defined and described in I.C. 13-11-2-177.3, 85 I.A.C. 2-2-26 and 327 I.A.C. 14-2-28, each as amended and supplemented from time to time.

**"Eligible Cost"** shall mean and include, whether incurred before or after the date of this Agreement, all costs which have been incurred and qualify for Financial Assistance, including engineering, financing and legal costs related thereto.

**"Financial Assistance"** shall mean the financial assistance authorized by the Safe Drinking Water Act, including the Loan.

**"Loan"** shall mean the purchase of the Bonds by the State to finance the planning, designing, constructing, renovating, improving and expanding of the Qualified Entity's Drinking Water System or refinance an existing debt obligation where such debt was incurred and building of such systems began after July 1, 1993, but does not mean the provision of other Financial Assistance.

**"Operation and Maintenance"** shall mean the activities required to assure the continuing dependable and economic function of the Drinking Water System, including maintaining compliance with primary and secondary drinking water standards, as follows:

(1) Operation shall mean the control and management of the unit processes and equipment which make up the Drinking Water System, including financial and personnel management, records, reporting, laboratory control, process control, safety and emergency operation planning and operating activities.

(2) Maintenance shall mean the preservation of the functional integrity and efficiency of equipment and structures by implementing systems of preventive and corrective maintenance.

**"Plans and Specifications"** shall mean the detailed written descriptions of the work to be done in undertaking and completing the Project, including the written descriptions of the work to be performed and the drawings, cross-sections, profiles and the like which show the location, dimensions and details of the work to be performed.

**"Preliminary Engineering Report"** shall mean the information submitted by the Qualified Entity that is necessary for the Department to determine the technical, economic and environmental adequacy of the proposed Project.

**"Project"** shall mean the activities or tasks identified and described in Exhibit B to this Agreement, as amended or supplemented by the Qualified Entity and consented to by the State, for which the Qualified Entity may expend the Loan.

**"Purchase Account"** shall mean the account by that name created by the Drinking Water SRF Indenture and held as part of the Drinking Water SRF Fund.

**"Safe Drinking Water Act"** shall mean the Safe Drinking Water Act, 42 U.S.C. §§ 300f et seq. and other laws supplemental thereto, as amended and supplemented from time to time.

**“State”** shall mean the State of Indiana, acting through the Department and the Budget Agency.

**“Substantial Completion of Construction”** shall mean the day on which the Department determines that all but minor components of the Project have been built, all equipment is operational and the Project is capable of functioning as designed.

**“Trustee”** shall mean Bank One Trust Company, NA, Indianapolis, Indiana, in its capacity as trustee or its successor under the Drinking Water SRF Indenture.

(End of Article I)



## ARTICLE II

### PURPOSE OF BORROWING AND LOAN TERMS

**Section 2.01. Amount; Purpose.** The State agrees to Loan an amount not to exceed Four Million Two Hundred Fifteen Thousand Dollars (\$4,215,000.00) in aggregate principal amount to the Qualified Entity as Financial Assistance to pay for the Eligible Costs, as hereinafter described, of the Project on, and subject to, the terms and conditions contained herein. The Loan shall be used only to pay the following Eligible Costs: (a) eligible planning services for the production of a Preliminary Engineering Report ("Planning"), (b) eligible design services for the production of Plans and Specifications ("Design") and (c) eligible construction costs, including financing and legal costs ("Construction"). The Loan shall be funded solely from available proceeds of the Bond Bank Bonds contained in the Purchase Account or from other sources the State, in its sole discretion, may designate. The Loan is evidenced by the Bonds executed and delivered by the Qualified Entity contemporaneously herewith. The Bonds shall be in fully registered form, with the Bond Bank registered as the registered owner. Pursuant to certain agreements between the State and the Bond Bank, so long as the Bond Bank is the registered owner, the principal of and redemption premium, if any, and interest on the Bonds shall be paid to the Trustee by a wire transfer referenced as follows: Bank One, N.A., BNF: Corporate Trust Services, ABA 044000037, A/C 980219029, OBI: INDIANA BOND BANK SRF, Attn: Derick Rush (317) 756-1302. The Qualified Entity agrees to undertake and complete the Project and to receive and expend the Loan proceeds in accordance with this Agreement.

#### **Section 2.02. The Bonds.**

(a) The Bonds will bear interest at the per annum rate of three and three tenths percent (3.3%) (calculated on the basis of a 360-day year comprised of twelve 30-day months) until paid, as provided in I.C. 13-18-21-10 and -15. Interest, if any, on the Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2003. The Bonds will be in the aggregate principal amount of Four Million Two Hundred Fifteen Thousand Dollars (\$4,215,000.00). Subject to Section 2.05 herein, the Bonds will mature semiannually on January 1 and July 1 of each of the years set forth in, and at the principal amount set opposite each such month and year set forth in, the schedule contained in Exhibit C to this Agreement; provided, however, notwithstanding the foregoing or the terms of the Bonds to the contrary, no maturity of Bonds shall extend beyond the date which is twenty (20) years after Substantial Completion of Construction. If the maturity date for any Bonds is beyond such date, unless otherwise agreed to, such Bonds, together with accrued and unpaid interest thereon, will be due and payable on such date.

(b) The Bonds will be subject to redemption by the Qualified Entity as provided in the Authorizing Instrument.

**Section 2.03. Disbursement Conditions.** Each of the following shall be a condition precedent to the disbursement of the Loan or any portion thereof:

(a) (1) With respect to procurement of professional services related to the Project to be paid from Loan proceeds, the Qualified Entity shall have complied with 85 I.A.C. 2-2-26 and 327 I.A.C. 14-10-1. (2) With respect to procurement of all other goods and services related to the Project to be paid from Loan proceeds, the Qualified Entity shall have complied with I.C. 36-1-12.

(b) No representation, warranty or covenant of the Qualified Entity contained in this Agreement or in any paper executed and delivered in connection with the transactions contemplated by this Agreement shall be false or inaccurate in any material respect.

(c) The Qualified Entity shall undertake and faithfully perform each of its obligations, agreements and covenants contained in this Agreement, the Authorizing Instrument and the Bonds.

(d) There shall be available to the State uncommitted funds in an amount sufficient to satisfy the State's obligations hereunder from the proceeds of Bond Bank Bonds in the Purchase Account.

(e) The Qualified Entity shall have undertaken all actions necessary to comply with and satisfied the conditions and requirements for a Loan secured with money made available from the Drinking Water SRF Fund as set forth in federal and State statutes, rules and regulations, including I.C. 13-18-21, 85 I.A.C. 2, 327 I.A.C. 14, the Safe Drinking Water Act and 40 C.F.R. Part 35.

(f) Prior to making any Loan disbursement to pay any Construction costs, the Project shall have been approved by the State's Historical Preservation Officer in a manner consistent with the policies and practices of the SRF Program (the "Historical Preservation Approval"). Notwithstanding any provision of this Agreement to the contrary, in the event a Historical Preservation Approval has not been given within four (4) months after the date of this Agreement, the State may, in its sole discretion, reduce the aggregate amount of the Loan to the amount then disbursed and outstanding under this Agreement. Upon giving notice to the Qualified Entity of such action, no further Loan disbursement may be made under this Agreement unless consented to by the State.

**Section 2.04. Disbursement Procedures.** Loan proceeds shall be disbursed to the Qualified Entity by the Trustee for actual Eligible Costs incurred with respect to the Project. The State may, in its discretion, cause Loan disbursements to be made (a) directly to the person or entity identified in the Disbursement Request to whom payment is due, or (b) if advised in writing by the Qualified Entity that I.C. 36-1-12-14 or a similar law applies to the Project, to the

Qualified Entity for purposes of collecting retainage, or some combination thereof. Any Loan proceeds in excess of the amount subject to retainage controlled by the Qualified Entity will be immediately remitted to the person or entity to whom payment is due, no later than three (3) Business Days after receipt or the date such Loan proceeds are no longer subject to retainage. Disbursements shall not be made more frequently than monthly and shall only be made following the submission of a Disbursement Request to the State. Disbursement Requests shall be approved by the Department and the Drinking Water SRF Program Representative prior to submission to the Trustee for a Loan disbursement. Disbursement Requests shall be numbered sequentially, beginning with the number 1.

**Section 2.05. Effect of Disbursements.** Loan disbursements made to or for the benefit of the Qualified Entity shall be deemed to be a purchase of the Bonds in such amounts and with such maturities as achieves as level a debt service as practicable, and with no maturity longer than the original maturity schedule; provided that any principal payments originally scheduled under Section 2.02 herein as being due prior to one year after Substantial Completion of Construction shall first be deemed to be a purchase of the Bonds in order of maturity. Interest on the Loan commences on the day that the State approves a Disbursement Request and forwards such Disbursement Request to the Trustee for payment. In the event any Loan disbursement is made in excess of Eligible Costs, such excess disbursements shall be immediately paid by the Qualified Entity to the Trustee and may, subject to the terms and conditions set forth in this Agreement, be borrowed by the Qualified Entity.

**Section 2.06. Acknowledgment of Amount of Loan; Final Disbursement.** Within 30 days after any request by the State from time to time, the Qualified Entity shall execute and deliver to the State an acknowledgment in the form prescribed by the State which acknowledges the outstanding principal of and interest on the Bonds. Unless the State consents in writing, no Loan disbursement shall be made more than one year after Substantial Completion of Construction. After Substantial Completion of Construction, upon the request of the State, the Qualified Entity shall replace, at its expense, the Bonds with substitutes issued pursuant to the Authorizing Instrument to evidence the outstanding principal under the Loan.

(End of Article II)

### ARTICLE III

#### **REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE QUALIFIED ENTITY**

**Section 3.01. Planning, Design and Construction Covenants.** The Qualified Entity hereby covenants and agrees with the State that the Qualified Entity will:

- (a) Provide information as requested by the State to determine the need for, or to complete any necessary, environmental review or analysis.
- (b) Comply with the procurement procedures and affirmative action requirements contained in 85 I.A.C. 2-10 and 327 I.A.C. 14-10 in the Planning, Design and Construction of the Project to the extent that such are to be paid from Loan proceeds.
- (c) With respect to prime and first tier contract awards, report minority and women business enterprise utilization in the Planning, Design and Construction of the Project, to the extent that such are to be paid from Loan proceeds, by executing and delivering Agency Form SF 5700-528-5-96 to the Department whenever any agreements or subagreements are awarded. (These reports must be submitted by the 15th day of each January, April, July and October after which such agreement or subagreement is awarded).
- (d) Comply with all applicable federal, State and local statutes, rules and regulations relating to the acquisition and construction of the Drinking Water System.
- (e) In the event Construction is to be paid from Loan proceeds, prior to an award of any contract for Construction of the Project, obtain a construction permit from the Department and receive the written approval of the Department of the Preliminary Engineering Report.
- (f) Obtain the property rights necessary to construct the Drinking Water System and, in procuring any such rights comply with federal and State law.
- (g) In the event Construction is to be paid from Loan proceeds, comply with the federal Davis-Bacon Act, codified at 40 U.S.C. 276a-276a-5.
- (h) In the event Construction is to be paid from Loan proceeds, execute and deliver to the Department Agency Form 4700-4 ("Pre-award Compliance Review Report for Wastewater Treatment Construction Grants") and Agency Form 5700-49 ("Certification Regarding the Debarment, Suspension, and Other Responsibility Matters").

(i) In the event Construction is to be paid from Loan proceeds, follow guidance issued by the Department in procuring contracts for Construction, including (1) submission to the Department of Project change orders, (2) obtaining approval from the Drinking Water SRF Program Director and the Drinking Water SRF Program Representative of any Project change order which significantly changes the scope or Design of the Project or, when taking into account other change orders and contracts, are reasonably expected to result in expenditures in an amount greater than the Loan, (3) receiving approval from the Drinking Water SRF Program Director prior to the award of any contract for Construction and (4) receiving authorization from the Drinking Water SRF Program Director prior to initiating procurement of Construction of the Project.

(j) In the event Construction is to be paid from Loan proceeds, before awarding Construction contracts, receive approval of the Drinking Water SRF Program Director for any interlocal agreement associated with the Project.

(k) In the event Construction is to be paid from Loan proceeds, cause the Project to be constructed in accordance with the Preliminary Engineering Report and the Plans and Specifications, using approved contract papers.

(l) Permit the State and its agents to inspect from time to time (1) the Project, (2) the Drinking Water System and (3) the books and other financial records of the Drinking Water System, including the inspections described in 85 I.A.C. 2-11-7, 85 I.A.C. 2-12-1, 327 I.A.C. 14-11-7 and 327 I.A.C. 14-12-1. Construction contracts shall provide that the State or its agents will have access to the Project and the work related thereto and that the Qualified Entity's contractor will provide proper facilities for such access and inspection. All files and records pertaining to the Project shall be retained by the Qualified Entity for at least six years after Substantial Completion of Construction.

(m) Upon Substantial Completion of Construction and when requested by the State, provide audited reports to the State to permit the State to determine that the Loan proceeds have been used in compliance with this Agreement.

(n) In the event Construction is to be paid from Loan proceeds, within one year of Substantial Completion of Construction, provide as-built plans for the Project to the Department.

**Section 3.02. General Covenants.** The Qualified Entity hereby covenants and agrees with the State that the Qualified Entity will:

(a) Comply with all applicable federal, State and local statutes, rules and regulations relating to Operation and Maintenance.

(b) (1) Own, operate and maintain the Project and the Drinking Water System for their useful life, or cause them to be operated and maintained for their useful life; (2) at

all times maintain the Drinking Water System in good condition and operate it in an efficient manner and at a reasonable cost; and (3) not sell, transfer, lease or otherwise encumber the Drinking Water System or any portion thereof or any interest therein without the prior written consent of the State.

(c) Obtain and maintain the property rights necessary to operate and maintain the Drinking Water System, and in procuring any such rights, comply with federal and State law.

(d) Acquire and maintain insurance coverage acceptable to the State, including fidelity bonds, to protect the Drinking Water System and its operations. All insurance shall be placed with responsible insurance companies qualified to do business under State law. Insurance proceeds and condemnation awards shall be used to replace or repair the Drinking Water System unless the State consents to a different use of such proceeds or awards.

(e) Establish and maintain the books and other financial records of the Project (including the establishment of a separate account or subaccount for the Project) and the Drinking Water System in accordance with (1) generally accepted governmental accounting principles, as promulgated by the Government Accounting Standards Board and (2) the rules, regulations and guidance of the State Board of Accounts.

(f) Provide to the State such periodic financial and environmental reports as it may request from time to time, including (1) annual operating and capital budgets and (2) such other information requested or required of the State or the Qualified Entity by the Agency.

(g) Provide notice to the Department under the circumstances contemplated, and undertake inspections as required, by 85 I.A.C. 2-11-7 and 327 I.A.C. 14-11-7.

(h) (1) Establish and maintain just and equitable rates and charges for the use of and the service rendered by the Drinking Water System, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses the Drinking Water System, or that in any way uses or is served by the Drinking Water System, (2) establish, adjust and maintain rates and charges at a level adequate to produce and maintain sufficient revenue (including user and other charges, fees, income or revenues available to the Qualified Entity) to provide for the proper Operation and Maintenance of the Drinking Water System, to comply with and satisfy all covenants contained herein and to pay all obligations of the Drinking Water System and of the Qualified Entity with respect thereto, and (3) if and to the extent Bonds are payable from property taxes, levy each year a special ad valorem tax upon all property located in the boundaries of the Qualified Entity, to pay all obligations of the Qualified Entity with respect thereto.

(i) If the Bonds are payable from the revenues of the Drinking Water System, not borrow any money, enter into any contract or agreement or incur any other liabilities in connection with the Drinking Water System without the prior written consent of the State if such undertaking would involve, commit or use the revenues of the Drinking Water System; provided that the Qualified Entity may authorize and issue additional obligations, payable out of the revenues of its Drinking Water System, ranking on a parity with the Bonds for the purpose of financing the cost of future additions, extensions and improvements to the Drinking Water System, or to refund obligations of the Drinking Water System, subject to the conditions, if any, in the Authorizing Instrument.

(j) Comply with the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000d *et seq.*, the Age Discrimination Act, as amended, Public Law 94-135, Section 504 of the Rehabilitation Act of 1973, as amended (including Executive Orders 11914 and 11250), 29 U.S.C. Section 794, Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Public Law 92-500, Executive Order 11246 regarding equal employment opportunity, and Executive Orders 11625 and 12138.

(k) Undertake all actions necessary to investigate all potential, material claims which the Qualified Entity may have against other persons with respect to the Drinking Water System and the Project and take whatever action is necessary or appropriate to (1) recover on any actionable, material claims related to the Project or the Planning, Design or Construction thereof, (2) meet applicable Project performance standards and (3) otherwise operate the Drinking Water System in accordance with applicable federal, State and local law.

(l) Not modify, alter, amend, add to or rescind any provision of the Authorizing Instrument without the prior written consent of the State.

**Section 3.03. Representations and Warranties of the Qualified Entity.** After due investigation and inquiry, the Qualified Entity hereby represents and warrants to the State that:

(a) The Qualified Entity is duly organized and existing under state law, and constitutes a "political subdivision" within the meaning of I.C. 13-11-2-164. The Project and the Drinking Water System are subject to I.C. 8-1.5-2, *et seq.*

(b) The Qualified Entity and its Drinking Water System are subject to the jurisdiction of the Commission under I.C. 8-1-2 and the Project and the Bonds are subject to the Commission's review and approval requirements. If the Qualified Entity or its Drinking Water System is subject to the jurisdiction of the Commission under I.C. 8-1-2 or any other applicable law, the Commission has reviewed and approved the Project and the issuance of the Bonds and no additional approvals or consents are required to be obtained from the Commission related thereto.

(c) The Qualified Entity has full power and authority to adopt the Authorizing Instrument, enter into this Agreement and issue the Bonds and perform its obligations hereunder and thereunder.

(d) By all required action, the Qualified Entity has duly adopted the Authorizing Instrument and authorized the execution and delivery of this Agreement, the Bonds and all other papers delivered in connection herewith.

(e) Neither the execution of, nor the consummation of the transaction contemplated by, this Agreement nor the compliance with the terms and conditions of any other paper referred to herein, shall conflict with, result in a breach of or constitute a default under, any indenture, mortgage, lease, agreement or instrument to which the Qualified Entity is a party or by which the Qualified Entity or its property, including the Drinking Water System, is bound or any law, regulation, order, writ, injunction or decree of any court or governmental agency or instrumentality having jurisdiction.

(f) There is no litigation pending or, to the knowledge of the Qualified Entity, upon investigation, threatened that (1) challenges or questions the validity or binding effect of this Agreement, the Authorizing Instrument or the Bonds or the authority or ability of the Qualified Entity to execute and deliver this Agreement or the Bonds and perform its obligations hereunder or thereunder or (2) would, if adversely determined, have a significant adverse effect on the ability of the Qualified Entity to meet its obligations under this Agreement, the Authorizing Instrument or the Bonds.

(g) The Qualified Entity has not at any time failed to pay when due interest or principal on, and it is not now in default under, any warrant or other evidence of obligation or indebtedness of the Qualified Entity.

(h) All information furnished by the Qualified Entity to the State or any of the persons representing the State in connection with the Loan or the Project is accurate and complete in all material respects.

(i) The Qualified Entity has taken or will take all proceedings required by law to enable it to issue and sell the Bonds as contemplated by this Agreement.

Each of the foregoing representations and warranties will be deemed to have been made by the Qualified Entity as of the date of this Agreement and as of the date of any disbursement of Loan proceeds. Each of the foregoing representations and warranties shall survive the Loan disbursements regardless of any investigation or investigations the State may have undertaken.

**Section 3.04. Covenants Regarding Assignment.** The Qualified Entity acknowledges that the State may sell or assign the Bonds or cause the Bonds to be sold or assigned, and certain of its rights related thereto, as permitted pursuant to Section 5.02 herein. The Qualified Entity covenants and agrees to cooperate with and assist in, at its expense, any such assignment. Within 30 days following a request by the State, the Qualified Entity covenants and agrees with



State that the Qualified Entity will, at its expense, furnish any information, financial or otherwise; with respect to the Qualified Entity, this Agreement, the Authorizing Instrument and Bonds and the Drinking Water System as the State reasonably requests in writing to facilitate the sale or assignment of the Bonds.

**Section 3.05. Nature of Information.** All information furnished by the Qualified Entity to the State or any person representing the State in connection with the Loan or the Project may be furnished to any other person the State, in its judgment, deems necessary or desirable in its operation and administration of the Drinking Water SRF Program.

**Section 3.06. Tax Covenants.** The Qualified Entity hereby covenants that it will not take or cause or permit to be taken by it or by any party under its control, or fail to take or cause or permit to be taken by it or by any party under its control, any action that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to Section 103 of the Code. The Qualified Entity further covenants that it will not do any act or thing that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code or "arbitrage bonds" within the meaning of Section 148 of the Code. In furtherance and not in limitation of the foregoing, the Qualified Entity shall take all action necessary and appropriate to comply with the arbitrage rebate requirements under Section 148 of the Code to the extent applicable to the Qualified Entity or the Bonds, including accounting for and making provision for the payment of any and all amounts that may be required to be paid to the United States of America from time to time pursuant to Section 148 of the Code.

**Section 3.07. Non-Discrimination Covenant.** Pursuant to and with the force and effect set forth in I.C. 22-9-1-10, the Qualified Entity hereby covenants that the Qualified Entity, and its contractor and subcontractor for the Project, shall not discriminate against any employee or applicant for employment, to be employed in the performance of this Agreement, with respect to the hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, sex, disability, national origin or ancestry.

(End of Article III)

## ARTICLE IV

### **DEFAULTS**

**Section 4.01. Remedies.** The State's obligation to make a disbursement under the Loan to the Qualified Entity hereunder may be terminated at the option of the State, without giving prior notice to the Qualified Entity, in the event: (a) the Qualified Entity fails to undertake or perform in a timely manner any of its agreements, covenants, terms or conditions set forth herein or in any paper entered into or delivered in connection herewith; or (b) any representation or warranty made by the Qualified Entity as set forth herein or in any paper entered into or delivered in connection herewith is materially false or misleading. Any such event shall constitute an event of default. If an event of default occurs, the State without giving any prior notice, may declare the entire outstanding principal amount of the Loan, together with accrued interest thereon, immediately due and payable.

**Section 4.02. Effect of Default.** Failure on the part of the State in any instance or under any circumstance to observe or perform fully any obligation assumed by or imposed upon the State by this Agreement or by law shall not make the State liable in damages to the Qualified Entity or relieve the Qualified Entity from paying any Bond or fully performing any other obligation required of it under this Agreement or the Authorizing Instrument; provided, however, that the Qualified Entity may have and pursue any and all other remedies provided by law for compelling performance by the State of such obligation assumed by or imposed upon the State. The obligations of the State hereunder do not create a debt or a liability of the State under the Constitution of the State or a pledge of the faith or credit of the State and do not directly, indirectly or contingently, obligate the State to levy any form of taxation for the payment thereof or to make any appropriation for their payment. Neither the State nor any agent, attorney, member or employee of the State shall in any event be liable for damages, if any, for the nonperformance of any obligation or agreement of any kind whatsoever set forth in this Agreement.

**Section 4.03. Defaults under other Financial Assistance Agreements.** The Qualified Entity and the State agree that any event of default occurring under the Prior Agreements shall constitute an event of default under this Agreement. Similarly, the Qualified Entity and the State agree that any event of default under this Agreement, or under any subsequent financial assistance agreement enter into between the Qualified Entity and the State, shall constitute an event of default under the Prior Agreements and the subsequent financial assistance agreement, if any, as the case may be.

(End of Article IV)

## ARTICLE V

### MISCELLANEOUS

**Section 5.01. Citations.** Any reference to a part, provision, section or other reference description of a federal or State statute, rule or regulation contained herein shall include any amendments, replacements or supplements to such statutes, rules or regulation as may be made effective from time to time.

**Section 5.02. Assignment.** Neither this Agreement, nor the Loan or the proceeds hereof may be assigned by the Qualified Entity without the prior written consent of the State and any attempt at such an assignment without such consent shall be void. The State may at its option sell or assign all or a portion of its rights and obligations under this Agreement, the Authorizing Instrument, and the Bonds to an agency of the State or to a separate body corporate and politic of the State or to a trustee under trust instrument to which the State or any assignee is beneficiary or party. The State may at its option assign all or a portion of its rights under this Agreement to any person. The Qualified Entity hereby consents to any such assignment by the State. This Agreement shall be binding upon and inure to the benefit of any permitted successor and assign.

**Section 5.03. No Waiver.** Neither the failure of the State nor the delay of the State to exercise any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other further exercise of any other right, power or privilege.

**Section 5.04. Modifications.** No change or modification of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

**Section 5.05. Entire Agreement.** This Agreement contains the entire agreement between the parties hereto and there are no promises, agreements, conditions, undertakings, warranties and representations, either written or oral, expressed or implied between the parties hereto other than as herein set forth or as may be made in the Authorizing Instrument and the other papers delivered in connection herewith. In the event there is a conflict between the terms of this Agreement and the Authorizing Instrument, the terms of this Agreement shall control. It is expressly understood and agreed that except as otherwise provided herein this Agreement represents an integration of any and all prior and contemporaneous promises, agreements, conditions, undertakings, warranties and representations between the parties hereto. This Agreement shall not be deemed to be a merger or integration of the existing terms under the Prior Agreements except as expressly set forth in Section 4.03 herein.

**Section 5.06. Execution of Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be executed by the State and the Qualified Entity, and all of which shall be regarded for all purposes as one original and shall constitute one and the same instrument.

**Section 5.07. Severability of Invalid Provisions.** If any one or more of the covenants or agreements provided in this Agreement on the part of the State or the Qualified Entity to be performed shall be deemed by a court of competent jurisdiction to be contrary to law or cause the Agreement to be invalid as determined by a court of competent jurisdiction, then such covenant or agreement or agreements shall be deemed severable from the remaining covenants or agreements and waived and shall in no way affect the validity of the other provisions of this Agreement.

**Section 5.08. Notices.** All notices hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered personally or sent or transmitted to the appropriate destination as set forth below in the manner provided for herein. Notice to the State shall be given by providing such notice to both the Budget Agency and the Department as follows:

State of Indiana  
Department of Environmental Management  
100 North Senate, 12th Floor  
Post Office Box 6015  
Indianapolis, Indiana 46206-6015  
Attention: Drinking Water SRF Program Director

State of Indiana  
State Budget Agency  
212 State House  
Indianapolis, Indiana 46204  
Attention: Drinking Water SRF Program Representative

or at such other address(es) or number(s) and to the attention of such other person(s) as the State may designate by notice to the Qualified Entity. Notices to the Qualified entity shall be addressed to:

City of Bloomington  
City Hall  
P.O. Box 100  
Bloomington, Indiana 47402  
Attention: Controller

or at such other address(es) or number(s) and to the attention of such other person(s) as the Qualified Entity may designate by notice to the State. Any notice hereunder shall be deemed to have been served or given as of (a) the date such notice is personally delivered, (b) three (3) Business Days after it is mailed U.S. mail, First Class postage prepaid, (c) one (1) Business Day after it is sent on such terms by Federal Express or similar next-day courier, or (d) the same day as it is sent by facsimile transmission with telephonic confirmation of receipt by the person to whom it is sent.

**Section 5.09. Expenses.** The Qualified Entity covenants and agrees to pay (a) the fees, costs and expenses in connection with making the Loan, including issuing the Bonds and providing the necessary certificates, documents and opinions required to be delivered therewith; (b) the fees, costs and expenses in connection with making and administering the Loan; (c) the fees, costs and expenses of complying with its covenants made herein; and (d) any and all costs and expenses, including attorneys' fees, incurred by the State in connection with the enforcement of this Agreement, the Authorizing Instrument and the Bonds in the event of the breach by the Qualified Entity of or a default under this Agreement, the Authorizing Instrument or the Bonds. Notwithstanding clause (b) above, the Qualified Entity shall not be obligated to pay any of the fees, costs and expenses in connection with administering the Loan except as follows: (1) the State may request and the Qualified Entity shall promptly pay, an annual administrative fee in connection with the Loan in an amount determined by the State, but not exceeding \$1,000; (2) so long as the State or the Bond Bank is the registered owner of the Bonds, at the direction of the State, the interest rate on the Bonds may be adjusted to lower the interest rate on the Bonds, and the difference between the amount payable as the original rate on the Bonds and the lower rate shall be deemed an additional administrative fee in connection with the Drinking Water SRF program; and (3) the Qualified Entity shall only be obligated to pay fees, costs and expenses of the State's counsel and financial advisers in connection with making the Loan up to \$5,000.

**Section 5.10. Applicable Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Indiana.

**Section 5.11. Term.** This Agreement shall terminate at such time as the Qualified Entity has fully met and discharged all of its obligations hereunder, which term may extend beyond the final payment of the Bonds or provision for the payment of the Bonds pursuant to the Authorizing Instrument.

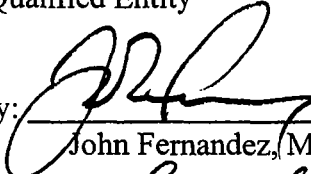
**Section 5.12. Non-Collusion.** The undersigned attests, subject to the penalties of perjury, that he/she is an authorized officer or representative of the Qualified Entity, that he/she has not, nor has any other officer or representative of the Qualified Entity, directly or indirectly, to the best of the undersigned's knowledge, entered into or offered to enter into any combination, collusion or agreement to receive pay, and that the undersigned has not received or paid any sum of money or other consideration for the execution of this agreement other than that which appears upon the face of the agreement or is a payment to lawyers, accountants and engineers by the Qualified Entity related to customary services rendered in connection with the Loan.

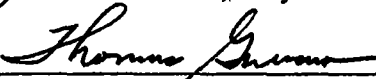
(End of Article V)

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by duly authorized officers or officials, all as of the date first above written.

**CITY OF BLOOMINGTON**

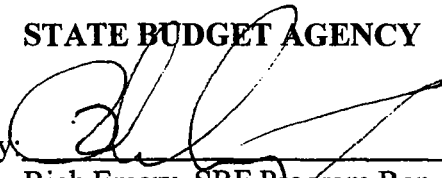
"Qualified Entity"

By:   
John Fernandez, Mayor

By:   
Thomas Guevara, Controller

  
Regina Moore, Clerk

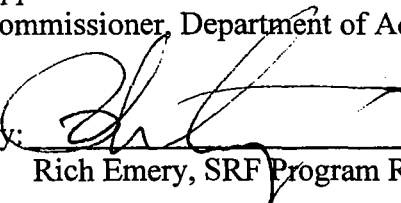
**STATE BUDGET AGENCY**

By:   
Rich Emery, SRF Program Representative,  
for Marilyn Schultz, State Budget Director \*

"Budget Agency"

\* Per delegation letter from Marilyn Schultz, State Budget Director, dated August 22, 2002.

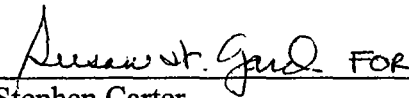
Approved:  
Commissioner, Department of Administration

By:   
Rich Emery, SRF Program Representative \*\*

\*\* Per delegation letter from David Perlini, Commissioner of the Department of Administration, dated October 15, 2002.

Approved as to form and legality:

DATE: 4-10-03

 FOR  
Stephen Carter  
Attorney General of the State of Indiana

## EXHIBIT A

STATE OF INDIANA  
STATE REVOLVING LOAN (SRF) PROGRAM  
100 NORTH SENATE AVENUE  
P.O. BOX 6015  
INDIANAPOLIS, IN 46206-6015  
317-232-4396

### REQUEST FOR DISBURSEMENT

The undersigned Authorized Representative of the Qualified Entity named in this Request, on behalf of such Qualified Entity, hereby (i) requests that the State make a Disbursement, or cause a Disbursement to be made, according to this Request and (ii) directs that the State mail, or cause to be mailed, the Disbursement to the Qualified Entity or the Contractor named in this Request.

### INSTRUCTIONS

1. This request is applicable only to costs of the Qualified Entity's wastewater or drinking water project eligible for financing through the State Revolving Loan fund (SRF).
2. A new Disbursement Request Form should be used for each contractor.
3. Combine multiple bills from a single contractor on one request form.
4. Attach a copy of the claim (a bill, invoice or a statement) underlying this Request.
5. Complete the required information and please answer all questions.
6. Indicate on this Request if the Qualified Entity has paid all or part of the Contractor's claim and is seeking reimbursement. Attach evidence that such payment was made and the date on which it was made.
7. Inquiries related to the status of a Disbursement request must be directed to the Qualified Entity. The Qualified Entity can then contact this office for the information. Please contact your contractors about this policy.
8. Requested amounts must be rounded to the nearest whole dollar.
9. The Request must be typed.
10. Please send all Disbursement Requests to the address listed above. Please send to the attention of Shelley Love (317-232-4396).

DISBURSEMENT REQUEST INFORMATION

Community: \_\_\_\_\_

Project No.: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Request No.: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Contact Phone No.: ( ) \_\_\_\_\_

Community's Authorized Representative: \_\_\_\_\_

Authorized Representative's Phone No.: \_\_\_\_\_

Description of work for which claim is being made (services, fees, type of, etc.) \_\_\_\_\_

<u>Contractor</u>	<u>Address</u>	<u>Amount Requested</u>
		\$ _____
Original Loan Amount.....		\$ _____
Total Amount of Previous Disbursements.....		\$ _____
<u>Amount of this Request</u> .....		\$ _____
Balance Available after this Disbursement.....		\$ _____

Is a portion of the claim underlying this Request subject to retainage under IC 36-1-12-14 or a similar law? YES \_\_\_\_\_ NO \_\_\_\_\_

If yes the retainage amount is ..... \$ \_\_\_\_\_  
(This amount will be mailed to the community for such retainage purposes and the remainder sent directly to the contractor identified above.)

Has the Qualified Entity paid the request and seeking reimbursement? YES \_\_\_\_\_ NO \_\_\_\_\_

Is this the final payment to the contractor? YES \_\_\_\_\_ NO \_\_\_\_\_

The undersigned hereby certifies that this request is true and correct, that the claim underlying this Request is legally due (and is payable from the SRF) in accordance with the Qualified Entity's Financial Assistance Agreement with the State.

DATE: \_\_\_\_\_

\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE SIGNATURE



**STATE AUTHORIZATION**

Department of Environmental Management (DEM) finds \$ \_\_\_\_\_ of the claim underlying this Request to be eligible SRF Project Costs to be disbursed as directed below.

The Program Representative hereby ( i ) authorizes the trustee to disburse the total amount stated in the preceding sentence and ( ii ) directs that such amount be mailed to:

\$ \_\_\_\_\_ the Contractor at the address identified on page 1.

\$ \_\_\_\_\_ the Qualified Entity for escrow retainage at the address identified on page 1.

\$ \_\_\_\_\_ the Qualified Entity for reimbursement at the address identified on page 1.

\$ \_\_\_\_\_ the 2<sup>nd</sup> party for escrow retainage at the address identified on page 1.

DEPARTMENT OF ENVIRONMENTAL  
MANAGEMENT

PROGRAM REPRESENTATIVE

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Trustee Certification**

The undersigned, on behalf of Bank One Trust Company, NA, as trustee, hereby certifies that a Disbursement in the amount authorized by the State, together with a completed copy of this Request, was mailed on \_\_\_\_\_, 200\_ to the party stated under "State Authorization" above. Further, a copy of this completed Request has been mailed to the Qualified Entity and the Department of Environmental Management.

Bank One Trust Company, NA

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Officer

## EXHIBIT B

The Project will include making the following improvements to the Monroe Intake structure to sustain a reliable 24 million gallons per day (mgd) capacity and extend the useful life of the facility for at least 20 years. The improvements will include:

- Rebuilding moving parts and replacing motors for Low Service Pumps No. 1, 2 and 3;
- Replacing the pump 4 control valve;
- Replacing or repairing the discharge piping as needed;
- Replacing the main air handling unit, electrical switchgear, instrumentation and control systems;
- Replacing worn parts of Traveling Screen No. 1 and rebuilding Traveling Screen No. 2; and
- Replacing the facility's doors, skylights and signs.

The Project also includes improvements to storage tanks as follows:

### West Tank:

- Repairing and modifying the tank to meet AWWA, OSHA and FAA requirements; and
- Replacing the exterior coating with epoxy/polyurethane coating.

### Dyer Tank:

- Rehabilitating the tank to meet AWWA and OSHA requirements;
- Repairing corrosion cells on the weld connection of the sidewall to the floor plates; and
- Applying an epoxy/polyurethane coating to the exterior and an epoxy coating to the interior.

### Southwest Tank:

- Modifying the tank to meet FAA requirements.

The Project will also address security measures to ensure water quality and safety to utility customers.

The Project is more fully described in, and shall be in accordance with, the Preliminary Engineering Report and the Plans and Specifications approved by the Department.

**EXHIBIT C**  
**Principal Payment Schedule**

<u>Date</u>	<u>Principal Amount</u>
1/1/2004	\$78,000
7/1/2004	79,000
1/1/2005	80,000
7/1/2005	82,000
1/1/2006	83,000
7/1/2006	85,000
1/1/2007	86,000
7/1/2007	87,000
1/1/2008	89,000
7/1/2008	90,000
1/1/2009	92,000
7/1/2009	93,000
1/1/2010	95,000
7/1/2010	96,000
1/1/2011	98,000
7/1/2011	99,000
1/1/2012	101,000
7/1/2012	103,000
1/1/2013	104,000
7/1/2013	106,000
1/1/2014	108,000
7/1/2014	110,000
1/1/2015	112,000
7/1/2015	113,000
1/1/2016	115,000
7/1/2016	117,000
1/1/2017	119,000
7/1/2017	121,000
1/1/2018	123,000
7/1/2018	125,000
1/1/2019	127,000
7/1/2019	129,000
1/1/2020	132,000
7/1/2020	134,000
1/1/2021	136,000
7/1/2021	139,000
1/1/2022	141,000
7/1/2022	143,000
1/1/2023	145,000
<b>Total</b>	<b>\$4,215,000.00</b>

## ENGINEER'S CERTIFICATE

STATE OF INDIANA        )  
                                   ) SS:  
 COUNTY OF MARION        )

I, Christopher B. Gale, certify that I am a duly licensed engineer of the firm of HNTB Corporation, consulting engineers of Indianapolis, Indiana, employed by the City of Bloomington, Indiana ("City"), as engineers on a portion of the waterworks project of the City ("Project").

I further certify that plans and specifications for said Project have been or will be prepared by said engineers; that bids have been or will be advertised for and received for the construction of the Project; that contracts for the construction of the project have been or will be signed and notice to proceed orders to the contractors will be issued within 120 days of the receipt of proceeds of the Waterworks Revenue Bonds of 2003, Series A ("Bonds"); that actual construction of the Project will commence within 30 days of the notice to proceed orders.

I further certify that the contract documents will provide for the completion of the construction work within eighteen (18) months from the date of delivery of the Bonds.

It is reasonably expected that the proceeds of the Bonds will be expended during the monthly periods and in the amounts set forth on Exhibit A attached hereto.

It is reasonably expected, based on experience in similar situations, that all of the Bond proceeds, together with any investment earnings, will be expended for the Project costs to cover the approximate total project costs of \$2,800,000 within a maximum period of twenty four (24) months following receipt of the Bond proceeds.

I further certify that said Project consists of the construction of additions, extensions and improvements to the waterworks system; that plans and specifications for the Project have been prepared by said engineers and have been or will be submitted to all governmental bodies having

jurisdiction, including particularly the State of Indiana, acting by and through the Department of Environmental Management ("Department") and that said plans and specifications have been or will be approved by the Department; any conditions contained in the approvals from governmental bodies will be met after completion of the Project in accordance with the plans and specifications; based upon the engineering estimates for the Project and the estimates of the financial advisor to the City, the total cost of the Project is in the approximate amount of \$2,800,000. It is my reasonable expectation that the Bond proceeds, together with any investment earnings, will be sufficient to complete the construction of the Project in accordance with the plans and specifications.

Considering the nature of the construction work and based on experience in similar work, the amount of construction contingencies is a reasonable amount for anticipated change orders and alterations during the construction period. It is reasonable to expect that substantially all of the amounts allocated to construction contingencies will be expended on construction work.

In our opinion the monies accumulated or to be accumulated for operation and maintenance in the General Account and in the Waterworks Improvement Fund for improvements, replacements, additions and extensions pursuant to Ordinance No. 01-42 are reasonable accumulations for a waterworks of the size and type operated by the City. It is also our opinion that the City may from time to time find it necessary to expend those monies for unforeseen operation and maintenance expenses or to pay for improvements, replacements, additions and extension of the works.

Given the size of the City's waterworks and its type, it is reasonable to expect monies accumulated in either of the above-mentioned Account or Fund could be expended for the purposes thereof at any given time in whole or in part. Therefore, there can be no reasonable

...ranchise that those monies would be available for any other expenses of the waterworks,  
...cluding debt service on the Bonds, and no purchaser of the Bonds could reasonably expect any  
...monies held in said Account or Fund to be available to pay debt service on the Bonds.

The reasonably expected economic life of the Project financed with proceeds of the  
...onds is 20 years.

Dated this 7<sup>th</sup> day of April, 2003.

HNTB CORPORATION,  
consulting engineers



Registered Professional Engineer  
Indiana License No. 10001138

EXHIBIT A

<u>Monthly Period</u>	<u>Amount</u>	<u>Purpose</u>
August 2003	\$80,000	Mobilization, construction
September 2003	\$100,000	Regular const./inspection
October 2003	\$100,000	Regular const./inspection
November 2003	\$200,000	Regular const./inspection
December 2003	\$200,000	Regular const./inspection
January 2004	\$300,000	Regular const./inspection
February 2004	\$300,000	Regular const./inspection
March 2004	\$200,000	Regular const./inspection
April 2004	\$200,000	Regular const./inspection
May 2004	\$200,000	Regular const./inspection
June 2004	\$200,000	Regular const./inspection
July 2004	\$200,000	Regular const./inspection
August 2004	\$200,000	Regular const./inspection
September 2004	\$200,000	Regular const./inspection
October 2004	\$120,000	Demobilization/construction

INDY 1145693v1

ENGINEER'S CERTIFICATE

STATE OF OHIO            )  
                                  ) SS:  
COUNTY OF HAMILTON )

I, Donnie H. Ginn, certify that I am a duly licensed engineer of the firm of Black & Veatch Corporation, of Cincinnati, Ohio, employed by the City of Bloomington, Indiana ("City"), as engineers on a portion of the waterworks project of the City ("Project").

I further certify that plans and specifications for said Project have been prepared by said engineers; that bids have been or will be advertised for and received for the construction of the Project; that contracts for the construction of the project have been or will be signed and notice to proceed orders to the contractors will be issued within 160 days of the receipt of proceeds of the Waterworks Revenue Bonds of 2003, Series A ("Bonds"); that actual construction of the Project will commence within 30 days of the notice to proceed orders.

I further certify that the contract documents will provide for the completion of the construction work within nine (9) months from the date of delivery of the Bonds.

It is reasonably expected that the proceeds of the Bonds will be expended during the monthly periods and in the amounts set forth on Exhibit A attached hereto.

It is reasonably expected, based on experience in similar situations, that all of the Bond proceeds, together with any investment earnings, will be expended for the Project costs to cover the approximate total project costs of \$1,415,000 within a maximum period of twelve (12) months following receipt of the Bond proceeds.

I further certify that said Project consists of the construction of additions, extensions and improvements to the waterworks system; that plans and specifications for the Project have been prepared by said engineers and have been or will be submitted to all governmental bodies having jurisdiction, including particularly the State of Indiana, acting by and through the Department of



Environmental Management ("Department") and that said plans and specifications have been or  
be approved by the Department; any conditions contained in the approvals from  
ernmental bodies will be met after completion of the Project in accordance with the plans and  
ifications; based upon the engineering estimates for the Project and the estimates of the  
ancial advisor to the City, the total cost of the Project is in the approximate amount of  
415,000. It is my reasonable expectation that the Bond proceeds, together with any  
vestment earnings, will be sufficient to complete the construction of the Project in accordance  
with the plans and specifications.

Considering the nature of the construction work and based on experience in similar work,  
the amount of construction contingencies is a reasonable amount for anticipated change orders  
and alterations during the construction period. It is reasonable to expect that substantially all of  
the amounts allocated to construction contingencies will be expended on construction work.

In our opinion the monies accumulated or to be accumulated for operation and  
maintenance in the General Account and in the Waterworks Improvement Fund for  
improvements, replacements, additions and extensions pursuant to Ordinance No. 01-42 are  
reasonable accumulations for a waterworks of the size and type operated by the City. It is also  
our opinion that the City may from time to time find it necessary to expend those monies for  
unforeseen operation and maintenance expenses or to pay for improvements, replacements,  
additions and extension of the works.

Given the size of the City's waterworks and its type, it is reasonable to expect monies  
accumulated in either of the above-mentioned Account or Fund could be expended for the  
purposes thereof at any given time in whole or in part. Therefore, there can be no reasonable  
assurance that those monies would be available for any other expenses of the waterworks,

ding debt service on the Bonds, and no purchaser of the Bonds could reasonably expect any  
ies held in said Account or Fund to be available to pay debt service on the Bonds.

The reasonably expected economic life of the Project financed with proceeds of the  
nds is 15 to 20 years.

Dated this 18<sup>th</sup> day of April, 2003.

BLACK & VEATCH CORPORATION,

*Donnie H. Minn*

---

Registered Professional Engineer  
License No. 10000024

EXHIBIT A

<u>Monthly Period</u>	<u>Amount</u>	<u>Purpose</u>
April 2003	\$600,000	Residuals Management Construction and West, Dyer, Southwest Tank Painting Engineering
May 2003	\$20,000	Bid Phase Engineering
June 2003	\$10,000	Bid Phase Engineering
July 2003	\$15,000	Construction Phase Engineering
August 2003	\$160,000	Construction and Construction Phase Engineering
September 2003	\$270,000	Construction and Construction Phase Engineering
October 2003	\$270,000	Construction and Construction Phase Engineering
November 2003	\$60,000	Construction and Construction Phase Engineering
December 2003	\$10,000	Construction Phase Engineering

**STATE OF INDIANA  
DRINKING WATER REVOLVING LOAN PROGRAM**

**FINANCIAL ASSISTANCE AGREEMENT** made as of this 5<sup>th</sup> day of September, 2003, by and between the State of Indiana (the "State") acting by and through the State Budget Agency (the "Budget Agency") and the City of Bloomington, Indiana (the "Qualified Entity"), a political subdivision as defined in I.C. 13-11-2-164, operating its water utility under I.C. 8-1.5-2, *et seq.* witnesseth:

WHEREAS, the State's Drinking Water Revolving Loan Program (the "Drinking Water SRF Program") has been established in accordance with the federal Safe Drinking Water Act and its regulations promulgated thereunder, and pursuant to I.C. 13-18-21 (the "Drinking Water SRF Act"), which Drinking Water SRF Act also establishes the drinking water revolving loan fund (the "Drinking Water SRF Fund"); and

WHEREAS, the State is authorized pursuant to the Drinking Water SRF Act to fund the Drinking Water SRF Program with federal capitalization grants, together with required State matching funds, therefor; and

WHEREAS, the Indiana Bond Bank (the "Bond Bank") has had a longstanding commitment to finance water quality and drinking water projects for qualified entities by issuing its bonds, pursuant to I.C. 5-1.5 (the "Bond Bank Act") for the purpose of buying securities of such qualified entities; and

WHEREAS, in keeping with its public purpose under the Bond Bank Act, the Bond Bank intends to cooperate with the State in financing the Drinking Water SRF Program, including the required State matching funds, and the political subdivisions' drinking water projects and, to that end, the State intends to cooperate with the Bond Bank; and

WHEREAS, to finance the Drinking Water SRF Program, including the required State matching funds, the Bond Bank has previously and will issue from time to time one or more series of its State Revolving Fund Program Bonds; and

WHEREAS, the Qualified Entity is a duly existing political subdivision of the State, lawfully empowered to undertake all transactions and execute all documents mentioned or contemplated herein; and

WHEREAS, the Qualified Entity has previously entered into with the State a Financial Assistance Agreement, dated as of April 7, 2000, a Financial Assistance Agreement, dated as of June 23, 2000, an Amended and Restated Financial Assistance Agreement, dated as of June 30, 2000 as amended and restated as December 29, 2000, and a Financial Assistance Agreement, dated as of April 18, 2003 (each a "Prior Agreement" and collectively the "Prior Agreements"), to borrow money from the Wastewater SRF Program and Drinking Water SRF Program to construct and acquire separate projects (as described and defined in the respective Prior Agreement); and

WHEREAS, the Qualified Entity has determined to undertake a drinking water system project (as more fully described herein, the "Project") and to borrow money from the Drinking Water SRF Program to construct and acquire the Project, which is separate from the projects described in the Prior Agreements; and

WHEREAS, the State and the Qualified Entity desire to set forth the terms of such financial assistance as hereinafter provided.

NOW THEREFORE, in consideration of the mutual covenants herein set forth, the State and the Qualified Entity agree as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.01. Definitions.** The following terms shall, for all purposes of this Agreement, have the following meaning:

**"Agency"** shall mean the United States Environmental Protection Agency or its successor.

**"Authorizing Instrument(s)"** shall mean the separate trust indenture(s) of the Qualified Entity entered into with a corporate trustee or the detailed resolution(s) or ordinance(s) of the governing body of the Qualified Entity pursuant to which the Bonds are issued in accordance with State law.

**"Authorized Representative"** shall mean the Controller of the Qualified Entity or such other officer, official, or representative of the Qualified Entity duly authorized to act for and on behalf of the Qualified Entity as provided for herein.

**"Bond" or "Bonds"** shall mean the instrument(s) which evidence(s) the Loan, as authorized by the Authorizing Instrument and containing the terms set forth in Section 2.02 of this Agreement.

**"Bond Bank Bonds"** shall mean any Indiana Bond Bank Drinking Water State Revolving Fund Program Bonds issued as a part of the Drinking Water SRF Program.

**"Bond Fund"** shall mean the separate and segregated fund or account established and created by the Political Subdivision pursuant to the Authorizing Instrument from which payment of the principal of and interest on the Bonds is required to be made by the Qualified Entity.

**"Budget Agency"** shall mean the State Budget Agency created under I.C. 4-12-1-3 or its successor.

**“Business Day”** shall mean any day other than a Saturday, Sunday or State legal holiday or any other day on which financial institutions in the State are authorized by law to close and to remain closed.

**“Code”** shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, together with the regulations related thereto.

**“Commission”** shall mean the Indiana Utility Regulatory Commission created under I.C. 13-13-1-2 or its successor.

**“Department”** shall mean the Indiana Department of Environmental Management created under I.C. 13-13-1-1 or its successor.

**“Disbursement Request”** shall mean a request for a disbursement of the Loan made by the Authorized Representative in the form of Exhibit A to this Agreement, with appropriate attachments, or in such other forms as the State may from time to time prescribe.

**“Drinking Water SRF Fund”** shall mean the drinking water revolving loan fund as established by I.C. 13-18-21-2.

**“Drinking Water SRF Indenture”** shall mean the Drinking Water SRF Trust Indenture, dated as of September 1, 1998 between the State and the Trustee, as amended and supplemented from time to time.

**“Drinking Water SRF Program Director”** shall mean the person designated by the Department and the Budget Agency as authorized to act as the Drinking Water SRF Program Director for purposes of this Agreement.

**“Drinking Water SRF Program Representative”** shall mean the person designated by the Department and the Budget Agency as authorized to act as the Drinking Water SRF Program Representative.

**“Drinking Water System”** shall mean all, or any part of, the system for the provision to the public of water for human consumption through pipes and other constructed conveyances that:

- (1) has at least fifteen (15) service connections; or
- (2) regularly serves at least twenty-five (25) individuals;

and as further defined and described in I.C. 13-11-2-177.3, 85 I.A.C. 2-2-26 and 327 I.A.C. 14-2-28, each as amended and supplemented from time to time.

**“Eligible Cost”** shall mean and include, whether incurred before or after the date of this Agreement, all costs which have been incurred and qualify for Financial Assistance, including engineering, financing and legal costs related thereto.

**“Financial Assistance”** shall mean the financial assistance authorized by the Safe Drinking Water Act, including the Loan.

**“Loan”** shall mean the purchase of the Bonds by the State to finance the planning, designing, constructing, renovating, improving and expanding of the Qualified Entity’s Drinking Water System or refinance an existing debt obligation where such debt was incurred and building of such systems began after July 1, 1993, but does not mean the provision of other Financial Assistance.

**“Operation and Maintenance”** shall mean the activities required to assure the continuing dependable and economic function of the Drinking Water System, including maintaining compliance with primary and secondary drinking water standards, as follows:

(1) Operation shall mean the control and management of the unit processes and equipment which make up the Drinking Water System, including financial and personnel management, records, reporting, laboratory control, process control, safety and emergency operation planning and operating activities.

(2) Maintenance shall mean the preservation of the functional integrity and efficiency of equipment and structures by implementing systems of preventive and corrective maintenance.

**“Plans and Specifications”** shall mean the detailed written descriptions of the work to be done in undertaking and completing the Project, including the written descriptions of the work to be performed and the drawings, cross-sections, profiles and the like which show the location, dimensions and details of the work to be performed.

**“Preliminary Engineering Report”** shall mean the information submitted by the Qualified Entity that is necessary for the Department to determine the technical, economic and environmental adequacy of the proposed Project.

**“Project”** shall mean the activities or tasks identified and described in Exhibit B to this Agreement, as amended or supplemented by the Qualified Entity and consented to by the State, for which the Qualified Entity may expend the Loan.

**“Purchase Account”** shall mean the account by that name created by the Drinking Water SRF Indenture and held as part of the Drinking Water SRF Fund.

**“Safe Drinking Water Act”** shall mean the Safe Drinking Water Act, 42 U.S.C. §§ 300f et seq. and other laws supplemental thereto, as amended and supplemented from time to time.

**“State”** shall mean the State of Indiana, acting through the Department and the Budget Agency.

**“Substantial Completion of Construction”** shall mean the day on which the Department determines that all but minor components of the Project have been built, all equipment is operational and the Project is capable of functioning as designed.

**“Trustee”** shall mean Bank One Trust Company, NA, Indianapolis, Indiana, in its capacity as trustee or its successor under the Drinking Water SRF Indenture.

(End of Article I)



## ARTICLE II

### **PURPOSE OF BORROWING AND LOAN TERMS**

**Section 2.01. Amount; Purpose.** The State agrees to Loan an amount not to exceed Seven Million Eight Hundred Eighty Five Thousand Dollars (\$7,885,000.00) in aggregate principal amount to the Qualified Entity as Financial Assistance to pay for the Eligible Costs, as hereinafter described, of the Project on, and subject to, the terms and conditions contained herein. The Loan shall be used only to pay the following Eligible Costs: (a) eligible planning services for the production of a Preliminary Engineering Report ("Planning"), (b) eligible design services for the production of Plans and Specifications ("Design") and (c) eligible construction costs, including financing and legal costs ("Construction"). The Loan shall be funded solely from available proceeds of the Bond Bank Bonds contained in the Purchase Account or from other sources the State, in its sole discretion, may designate. The Loan is evidenced by the Bonds executed and delivered by the Qualified Entity contemporaneously herewith. The Bonds shall be in fully registered form, with the Bond Bank registered as the registered owner. Pursuant to certain agreements between the State and the Bond Bank, so long as the Bond Bank is the registered owner, the principal of and redemption premium, if any, and interest on the Bonds shall be paid to the Trustee by a wire transfer referenced as follows: Bank One, N.A., BNF: Corporate Trust Services, ABA 044000037, A/C 980219029, OBI: INDIANA BOND BANK SRF, Attn: SRF Contact Trust Officer (317) 756-1302. The Qualified Entity agrees to undertake and complete the Project and to receive and expend the Loan proceeds in accordance with this Agreement.

#### **Section 2.02. The Bonds.**

(a) The Bonds will bear interest at the per annum rate of three and three tenths percent (3.3%) (calculated on the basis of a 360-day year comprised of twelve 30-day months) until paid, as provided in I.C. 13-18-21-10 and -15. Interest, if any, on the Bonds will be payable on January 1 and July 1 of each year, commencing January 1, 2004. The Bonds will be in the aggregate principal amount of Seven Million Eight Hundred Eighty Five Thousand Dollars (\$7,885,000.00). Subject to Section 2.05 herein, the Bonds will mature semiannually on January 1 and July 1 of each of the years set forth in, and at the principal amount set opposite each such month and year set forth in, the schedule contained in Exhibit C to this Agreement; provided, however, notwithstanding the foregoing or the terms of the Bonds to the contrary, no maturity of Bonds shall extend beyond the date which is twenty (20) years after Substantial Completion of Construction. If the maturity date for any Bonds is beyond such date, unless otherwise agreed to, such Bonds, together with accrued and unpaid interest thereon, will be due and payable on such date.

(b) The Bonds will be subject to redemption by the Qualified Entity as provided in the Authorizing Instrument.

(c) The form and other terms of the Bonds will be in conformity with the Authorizing Instrument.

**Section 2.03. Disbursement Conditions.** Each of the following shall be a condition precedent to the disbursement of the Loan or any portion thereof:

(a) (1) With respect to procurement of professional services related to the Project to be paid from Loan proceeds, the Qualified Entity shall have complied with 85 I.A.C. 2-2-26 and 327 I.A.C. 14-10-1. (2) With respect to procurement of all other goods and services related to the Project to be paid from Loan proceeds, the Qualified Entity shall have complied with I.C. 36-1-12.

(b) No representation, warranty or covenant of the Qualified Entity contained in this Agreement or in any paper executed and delivered in connection with the transactions contemplated by this Agreement shall be false or inaccurate in any material respect.

(c) The Qualified Entity shall undertake and faithfully perform each of its obligations, agreements and covenants contained in this Agreement, the Authorizing Instrument and the Bonds.

(d) There shall be available to the State uncommitted funds in an amount sufficient to satisfy the State's obligations hereunder from the proceeds of Bond Bank Bonds in the Purchase Account.

(e) The Qualified Entity shall have undertaken all actions necessary to comply with and satisfied the conditions and requirements for a Loan secured with money made available from the Drinking Water SRF Fund as set forth in federal and State statutes, rules and regulations, including I.C. 13-18-21, 85 I.A.C. 2, 327 I.A.C. 14, the Safe Drinking Water Act and 40 C.F.R. Part 35.

(f) Prior to making any Loan disbursement to pay any Construction costs, the Project shall have been approved by the State's Historical Preservation Officer in a manner consistent with the policies and practices of the SRF Program (the "Historical Preservation Approval"). Notwithstanding any provision of this Agreement to the contrary, in the event a Historical Preservation Approval has not been given within four (4) months after the date of this Agreement, the State may, in its sole discretion, reduce the aggregate amount of the Loan to the amount then disbursed and outstanding under this Agreement. Upon giving notice to the Qualified Entity of such action, no further Loan disbursement may be made under this Agreement unless consented to by the State.

**Section 2.04. Disbursement Procedures.** Loan proceeds shall be disbursed to the Qualified Entity by the Trustee for actual Eligible Costs incurred with respect to the Project. The State may, in its discretion, cause Loan disbursements to be made (a) directly to the person or entity identified in the Disbursement Request to whom payment is due, or (b) if advised in

ing by the Qualified Entity that I.C. 36-1-12-14 or a similar law applies to the Project, to the Qualified Entity for purposes of collecting retainage, or some combination thereof. Any Loan proceeds in excess of the amount subject to retainage controlled by the Qualified Entity will be immediately remitted to the person or entity to whom payment is due, no later than three (3) Business Days after receipt or the date such Loan proceeds are no longer subject to retainage. Loan disbursements shall not be made more frequently than monthly and shall only be made following the submission of a Disbursement Request to the State. Disbursement Requests shall be approved by the Department and the Drinking Water SRF Program Representative prior to submission to the Trustee for a Loan disbursement. Disbursement Requests shall be numbered sequentially, beginning with the number 1.

**Section 2.05. Effect of Disbursements.** Loan disbursements made to or for the benefit of the Qualified Entity shall be deemed to be a purchase of the Bonds in such amounts and with such maturities as achieves as level a debt service as practicable, and with no maturity longer than the original maturity schedule; provided that any principal payments originally scheduled under Section 2.02 herein as being due prior to one year after Substantial Completion of Construction shall first be deemed to be a purchase of the Bonds in order of maturity. Interest on the Loan commences on the day that the State approves a Disbursement Request and forwards such Disbursement Request to the Trustee for payment. In the event any Loan disbursement is made in excess of Eligible Costs, such excess disbursements shall be immediately paid by the Qualified Entity to the Trustee and may, subject to the terms and conditions set forth in this Agreement, be borrowed by the Qualified Entity.

**Section 2.06. Acknowledgment of Amount of Loan; Final Disbursement.** Within 30 days after any request by the State from time to time, the Qualified Entity shall execute and deliver to the State an acknowledgment in the form prescribed by the State which acknowledges the outstanding principal of and interest on the Bonds. Unless the State consents in writing, no Loan disbursement shall be made more than one year after Substantial Completion of Construction. After Substantial Completion of Construction, upon the request of the State, the Qualified Entity shall replace, at its expense, the Bonds with substitutes issued pursuant to the Authorizing Instrument to evidence the outstanding principal under the Loan.

(End of Article II)

### ARTICLE III

#### **REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE QUALIFIED ENTITY**

**Section 3.01. Planning, Design and Construction Covenants.** The Qualified Entity by covenants and agrees with the State that the Qualified Entity will:

- (a) Provide information as requested by the State to determine the need for, or to complete any necessary, environmental review or analysis.
- (b) Comply with the procurement procedures and affirmative action requirements contained in 85 I.A.C. 2-10 and 327 I.A.C. 14-10 in the Planning, Design and Construction of the Project to the extent that such are to be paid from Loan proceeds.
- (c) With respect to prime and first tier contract awards, report minority and women business enterprise utilization in the Planning, Design and Construction of the Project, to the extent that such are to be paid from Loan proceeds, by executing and delivering Agency Form SF 5700-528-5-96 to the Department whenever any agreements or subagreements are awarded. (These reports must be submitted by the 15th day of each January, April, July and October after which such agreement or subagreement is awarded).
- (d) Comply with all applicable federal, State and local statutes, rules and regulations relating to the acquisition and construction of the Drinking Water System.
- (e) In the event Construction is to be paid from Loan proceeds, prior to an award of any contract for Construction of the Project, obtain a construction permit from the Department and receive the written approval of the Department of the Preliminary Engineering Report.
- (f) Obtain the property rights necessary to construct the Drinking Water System and, in procuring any such rights comply with federal and State law.
- (g) In the event Construction is to be paid from Loan proceeds, comply with the federal Davis-Bacon Act, codified at 40 U.S.C. 276a-276a-5.
- (h) In the event Construction is to be paid from Loan proceeds, execute and deliver to the Department Agency Form 4700-4 ("Pre-award Compliance Review Report for Wastewater Treatment Construction Grants") and Agency Form 5700-49 ("Certification Regarding the Debarment, Suspension, and Other Responsibility Matters").
- (i) In the event Construction is to be paid from Loan proceeds, follow guidance issued by the Department in procuring contracts for Construction, including (1)

submission to the Department of Project change orders, (2) obtaining approval from the Drinking Water SRF Program Director and the Drinking Water SRF Program Representative of any Project change order which significantly changes the scope or Design of the Project or, when taking into account other change orders and contracts, are reasonably expected to result in expenditures in an amount greater than the Loan, (3) receiving approval from the Drinking Water SRF Program Director prior to the award of any contract for Construction and (4) receiving authorization from the Drinking Water SRF Program Director prior to initiating procurement of Construction of the Project.

(j) In the event Construction is to be paid from Loan proceeds, before awarding Construction contracts, receive approval of the Drinking Water SRF Program Director for any interlocal agreement associated with the Project.

(k) In the event Construction is to be paid from Loan proceeds, cause the Project to be constructed in accordance with the Preliminary Engineering Report and the Plans and Specifications, using approved contract papers.

(l) Permit the State and its agents to inspect from time to time (1) the Project, (2) the Drinking Water System and (3) the books and other financial records of the Drinking Water System, including the inspections described in 85 I.A.C. 2-11-7, 85 I.A.C. 2-12-1, 327 I.A.C. 14-11-7 and 327 I.A.C. 14-12-1. Construction contracts shall provide that the State or its agents will have access to the Project and the work related thereto and that the Qualified Entity's contractor will provide proper facilities for such access and inspection. All files and records pertaining to the Project shall be retained by the Qualified Entity for at least six years after Substantial Completion of Construction.

(m) Upon Substantial Completion of Construction and when requested by the State, provide audited reports to the State to permit the State to determine that the Loan proceeds have been used in compliance with this Agreement.

(n) In the event Construction is to be paid from Loan proceeds, within one year of Substantial Completion of Construction, provide as-built plans for the Project to the Department.

**Section 3.02. General Covenants.** The Qualified Entity hereby covenants and agrees with the State that the Qualified Entity will:

(a) Comply with all applicable federal, State and local statutes, rules and regulations relating to Operation and Maintenance.

(b) (1) Own, operate and maintain the Project and the Drinking Water System for their useful life, or cause them to be operated and maintained for their useful life; (2) at all times maintain the Drinking Water System in good condition and operate it in an efficient manner and at a reasonable cost; and (3) not sell, transfer, lease or otherwise

encumber the Drinking Water System or any portion thereof or any interest therein without the prior written consent of the State.

(c) Obtain and maintain the property rights necessary to operate and maintain the Drinking Water System, and in procuring any such rights, comply with federal and State law.

(d) Acquire and maintain insurance coverage acceptable to the State, including fidelity bonds, to protect the Drinking Water System and its operations. All insurance shall be placed with responsible insurance companies qualified to do business under State law. Insurance proceeds and condemnation awards shall be used to replace or repair the Drinking Water System unless the State consents to a different use of such proceeds or awards.

(e) Establish and maintain the books and other financial records of the Project (including the establishment of a separate account or subaccount for the Project) and the Drinking Water System in accordance with (1) generally accepted governmental accounting principles, as promulgated by the Government Accounting Standards Board and (2) the rules, regulations and guidance of the State Board of Accounts.

(f) Provide to the State such periodic financial and environmental reports as it may request from time to time, including (1) annual operating and capital budgets and (2) such other information requested or required of the State or the Qualified Entity by the Agency.

(g) Provide notice to the Department under the circumstances contemplated, and undertake inspections as required, by 85 I.A.C. 2-11-7 and 327 I.A.C. 14-11-7.

(h) (1) Establish and maintain just and equitable rates and charges for the use of and the service rendered by the Drinking Water System, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses the Drinking Water System, or that in any way uses or is served by the Drinking Water System, (2) establish, adjust and maintain rates and charges at a level adequate to produce and maintain sufficient revenue (including user and other charges, fees, income or revenues available to the Qualified Entity) to provide for the proper Operation and Maintenance of the Drinking Water System, to comply with and satisfy all covenants contained herein and to pay all obligations of the Drinking Water System and of the Qualified Entity with respect thereto, and (3) if and to the extent Bonds are payable from property taxes, levy each year a special ad valorem tax upon all property located in the boundaries of the Qualified Entity, to pay all obligations of the Qualified Entity with respect thereto.

(i) If the Bonds are payable from the revenues of the Drinking Water System, not borrow any money, enter into any contract or agreement or incur any other liabilities in connection with the Drinking Water System without the prior written consent of the State

if such undertaking would involve, commit or use the revenues of the Drinking Water System; provided that the Qualified Entity may authorize and issue additional obligations, payable out of the revenues of its Drinking Water System, ranking on a parity with the Bonds for the purpose of financing the cost of future additions, extensions and improvements to the Drinking Water System, or to refund obligations of the Drinking Water System, subject to the conditions, if any, in the Authorizing Instrument.

(j) Comply with the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000d *et seq.*, the Age Discrimination Act, as amended, Public Law 94-135, Section 504 of the Rehabilitation Act of 1973, as amended (including Executive Orders 11914 and 11250), 29 U.S.C. Section 794, Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Public Law 92-500, Executive Order 11246 regarding equal employment opportunity, and Executive Orders 11625 and 12138.

(k) Undertake all actions necessary to investigate all potential, material claims which the Qualified Entity may have against other persons with respect to the Drinking Water System and the Project and take whatever action is necessary or appropriate to (1) recover on any actionable, material claims related to the Project or the Planning, Design or Construction thereof, (2) meet applicable Project performance standards and (3) otherwise operate the Drinking Water System in accordance with applicable federal, State and local law.

(l) Not modify, alter, amend, add to or rescind any provision of the Authorizing Instrument without the prior written consent of the State.

**Section 3.03. Representations and Warranties of the Qualified Entity.** After due investigation and inquiry, the Qualified Entity hereby represents and warrants to the State that:

(a) The Qualified Entity is duly organized and existing under state law, and constitutes a "political subdivision" within the meaning of I.C. 13-11-2-164. The Project and the Drinking Water System are subject to I.C. 8-1.5-2, *et seq.*

(b) The Qualified Entity and its Drinking Water System are subject to the jurisdiction of the Commission under I.C. 8-1-2 and the Project and the Bonds are subject to the Commission's review and approval requirements. If the Qualified Entity or its Drinking Water System is subject to the jurisdiction of the Commission under I.C. 8-1-2 or any other applicable law, the Commission has reviewed and approved the Project and the issuance of the Bonds and no additional approvals or consents are required to be obtained from the Commission related thereto.

(c) The Qualified Entity has full power and authority to adopt the Authorizing Instrument, enter into this Agreement and issue the Bonds and perform its obligations hereunder and thereunder.

(d) By all required action, the Qualified Entity has duly adopted the Authorizing Instrument and authorized the execution and delivery of this Agreement, the Bonds and all other papers delivered in connection herewith.

(e) Neither the execution of, nor the consummation of the transaction contemplated by, this Agreement nor the compliance with the terms and conditions of any other paper referred to herein, shall conflict with, result in a breach of or constitute a default under, any indenture, mortgage, lease, agreement or instrument to which the Qualified Entity is a party or by which the Qualified Entity or its property, including the Drinking Water System, is bound or any law, regulation, order, writ, injunction or decree of any court or governmental agency or instrumentality having jurisdiction.

(f) There is no litigation pending or, to the knowledge of the Qualified Entity, upon investigation, threatened that (1) challenges or questions the validity or binding effect of this Agreement, the Authorizing Instrument or the Bonds or the authority or ability of the Qualified Entity to execute and deliver this Agreement or the Bonds and perform its obligations hereunder or thereunder or (2) would, if adversely determined, have a significant adverse effect on the ability of the Qualified Entity to meet its obligations under this Agreement, the Authorizing Instrument or the Bonds.

(g) The Qualified Entity has not at any time failed to pay when due interest or principal on, and it is not now in default under, any warrant or other evidence of obligation or indebtedness of the Qualified Entity.

(h) All information furnished by the Qualified Entity to the State or any of the persons representing the State in connection with the Loan or the Project is accurate and complete in all material respects.

(i) The Qualified Entity has taken or will take all proceedings required by law to enable it to issue and sell the Bonds as contemplated by this Agreement.

Each of the foregoing representations and warranties will be deemed to have been made by the Qualified Entity as of the date of this Agreement and as of the date of any disbursement of Loan proceeds. Each of the foregoing representations and warranties shall survive the Loan disbursements regardless of any investigation or investigations the State may have undertaken.

**Section 3.04. Covenants Regarding Assignment.** The Qualified Entity acknowledges that the State may sell or assign the Bonds or cause the Bonds to be sold or assigned, and certain of its rights related thereto, as permitted pursuant to Section 5.02 herein. The Qualified Entity covenants and agrees to cooperate with and assist in, at its expense, any such assignment. Within 30 days following a request by the State, the Qualified Entity covenants and agrees with the State that the Qualified Entity will, at its expense, furnish any information, financial or otherwise, with respect to the Qualified Entity, this Agreement, the Authorizing Instrument and the Bonds and the Drinking Water System as the State reasonably requests in writing to facilitate the sale or assignment of the Bonds.



**Section 3.05. Nature of Information.** All information furnished by the Qualified Entity to the State or any person representing the State in connection with the Loan or the Project may be furnished to any other person the State, in its judgment, deems necessary or desirable in its operation and administration of the Drinking Water SRF Program.

**Section 3.06. Tax Covenants.** The Qualified Entity hereby covenants that it will not cause or permit to be taken by it or by any party under its control, or fail to take or cause to be taken by it or by any party under its control, any action that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to Section 103 of the Code. The Qualified Entity further covenants that it will not do any act or thing that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code or "arbitrage bonds" within the meaning of Section 148 of the Code. In furtherance and not in limitation of the foregoing, the Qualified Entity shall take all action necessary and appropriate to comply with the arbitrage rebate requirements under Section 148 of the Code to the extent applicable to the Qualified Entity or the Bonds, including accounting for and making provision for the payment of any and all amounts that may be required to be paid to the United States of America from time to time pursuant to Section 148 of the Code.

**Section 3.07. Non-Discrimination Covenant.** Pursuant to and with the force and effect set forth in I.C. 22-9-1-10, the Qualified Entity hereby covenants that the Qualified Entity, and its contractor and subcontractor for the Project, shall not discriminate against any employee or applicant for employment, to be employed in the performance of this Agreement, with respect to the hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, sex, disability, national origin or ancestry.

(End of Article III)

## ARTICLE IV

### DEFAULTS

**Section 4.01. Remedies.** The State's obligation to make a disbursement under the Loan to the Qualified Entity hereunder may be terminated at the option of the State, without giving prior notice to the Qualified Entity, in the event: (a) the Qualified Entity fails to undertake or perform in a timely manner any of its agreements, covenants, terms or conditions set forth herein or in any paper entered into or delivered in connection herewith; or (b) any representation or warranty made by the Qualified Entity as set forth herein or in any paper entered into or delivered in connection herewith is materially false or misleading. Any such event shall constitute an event of default. If an event of default occurs, the State without giving any prior notice, may declare the entire outstanding principal amount of the Loan, together with accrued interest thereon, immediately due and payable.

**Section 4.02. Effect of Default.** Failure on the part of the State in any instance or under any circumstance to observe or perform fully any obligation assumed by or imposed upon the State by this Agreement or by law shall not make the State liable in damages to the Qualified Entity or relieve the Qualified Entity from paying any Bond or fully performing any other obligation required of it under this Agreement or the Authorizing Instrument; provided, however, that the Qualified Entity may have and pursue any and all other remedies provided by law for compelling performance by the State of such obligation assumed by or imposed upon the State. The obligations of the State hereunder do not create a debt or a liability of the State under the constitution of the State or a pledge of the faith or credit of the State and do not directly, indirectly or contingently, obligate the State to levy any form of taxation for the payment thereof or to make any appropriation for their payment. Neither the State nor any agent, attorney, member or employee of the State shall in any event be liable for damages, if any, for the nonperformance of any obligation or agreement of any kind whatsoever set forth in this Agreement.

**Section 4.03. Defaults under other Financial Assistance Agreements.** The Qualified Entity and the State agree that any event of default occurring under the Prior Agreements shall constitute an event of default under this Agreement. Similarly, the Qualified Entity and the State agree that any event of default under this Agreement, or under any subsequent financial assistance agreement enter into between the Qualified Entity and the State, shall constitute an event of default under the Prior Agreements and the subsequent financial assistance agreement, if any, as the case may be.

(End of Article IV)

## ARTICLE V

### MISCELLANEOUS

**Section 5.01. Citations.** Any reference to a part, provision, section or other reference to a federal or State statute, rule or regulation contained herein shall include any amendments, replacements or supplements to such statutes, rules or regulation as may be made from time to time.

**Section 5.02. Assignment.** Neither this Agreement, nor the Loan or the proceeds thereof may be assigned by the Qualified Entity without the prior written consent of the State and any attempt at such an assignment without such consent shall be void. The State may at its option sell or assign all or a portion of its rights and obligations under this Agreement, the Authorizing Instrument, and the Bonds to an agency of the State or to a separate body corporate or politic of the State or to a trustee under trust instrument to which the State or any assignee is a beneficiary or party. The State may at its option assign all or a portion of its rights under this Agreement to any person. The Qualified Entity hereby consents to any such assignment by the State. This Agreement shall be binding upon and inure to the benefit of any permitted successor to the State.

**Section 5.03. No Waiver.** Neither the failure of the State nor the delay of the State to exercise any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other further exercise of any other right, power or privilege.

**Section 5.04. Modifications.** No change or modification of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

**Section 5.05. Entire Agreement.** This Agreement contains the entire agreement between the parties hereto and there are no promises, agreements, conditions, undertakings, warranties and representations, either written or oral, expressed or implied between the parties hereto other than as herein set forth or as may be made in the Authorizing Instrument and the other papers delivered in connection herewith. In the event there is a conflict between the terms of this Agreement and the Authorizing Instrument, the terms of this Agreement shall control. It is expressly understood and agreed that except as otherwise provided herein this Agreement represents an integration of any and all prior and contemporaneous promises, agreements, conditions, undertakings, warranties and representations between the parties hereto. This Agreement shall not be deemed to be a merger or integration of the existing terms under the Prior Agreements except as expressly set forth in Section 4.03 herein.

**Section 5.06. Execution of Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be executed by the State and the Qualified Entity, and all of which shall be regarded for all purposes as one original and shall constitute one and the same instrument.

**Section 5.07. Severability of Invalid Provisions.** If any one or more of the covenants or agreements provided in this Agreement on the part of the State or the Qualified Entity to be performed shall be deemed by a court of competent jurisdiction to be contrary to law or cause the Agreement to be invalid as determined by a court of competent jurisdiction, then such covenant or agreement or agreements shall be deemed severable from the remaining covenants or agreements and waived and shall in no way affect the validity of the other provisions of this Agreement.

**Section 5.08. Notices.** All notices hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered personally or sent or transmitted to the appropriate person as set forth below in the manner provided for herein. Notice to the State shall be given by providing such notice to both the Budget Agency and the Department as follows:

State of Indiana  
Department of Environmental Management  
100 North Senate, 12th Floor  
Post Office Box 6015  
Indianapolis, Indiana 46206-6015  
Attention: Drinking Water SRF Program Director

State of Indiana  
State Budget Agency  
212 State House  
Indianapolis, Indiana 46204  
Attention: Drinking Water SRF Program Representative

or at such other address(es) or number(s) and to the attention of such other person(s) as the State may designate by notice to the Qualified Entity. Notices to the Qualified entity shall be addressed to:

City of Bloomington  
City Hall  
P.O. Box 100  
Bloomington, Indiana 47402  
Attention: Controller

or at such other address(es) or number(s) and to the attention of such other person(s) as the Qualified Entity may designate by notice to the State. Any notice hereunder shall be deemed to have been served or given as of (a) the date such notice is personally delivered, (b) three (3) Business Days after it is mailed U.S. mail, First Class postage prepaid, (c) one (1) Business Day after it is sent on such terms by Federal Express or similar next-day courier, or (d) the same day as it is sent by facsimile transmission with telephonic confirmation of receipt by the person to whom it is sent.

**Section 5.09. Expenses.** The Qualified Entity covenants and agrees to pay (a) the fees, and expenses in connection with making the Loan, including issuing the Bonds and obtaining the necessary certificates, documents and opinions required to be delivered therewith; (b) the fees, costs and expenses in connection with making and administering the Loan; (c) the fees, costs and expenses of complying with its covenants made herein; and (d) any and all costs and expenses, including attorneys' fees, incurred by the State in connection with the enforcement of this Agreement, the Authorizing Instrument and the Bonds in the event of the breach by the Qualified Entity of or a default under this Agreement, the Authorizing Instrument or the Bonds. Notwithstanding clause (b) above, the Qualified Entity shall not be obligated to pay any of the fees, costs and expenses in connection with administering the Loan except as follows: (1) the State may request and the Qualified Entity shall promptly pay, an annual administrative fee in connection with the Loan in an amount determined by the State, but not exceeding \$1,000; (2) so long as the State or the Bond Bank is the registered owner of the Bonds, at the direction of the State, the interest rate on the Bonds may be adjusted to lower the interest rate on the Bonds, and the difference between the amount payable as the original rate on the Bonds and the lower rate shall be deemed an additional administrative fee in connection with the Drinking Water SRF Program; and (3) the Qualified Entity shall only be obligated to pay fees, costs and expenses of the State's counsel and financial advisers in connection with making the Loan up to \$5,000.

**Section 5.10. Applicable Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Indiana.

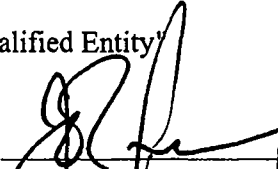
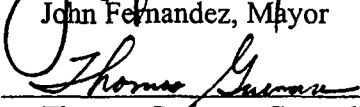
**Section 5.11. Term.** This Agreement shall terminate at such time as the Qualified Entity has fully met and discharged all of its obligations hereunder, which term may extend beyond the final payment of the Bonds or provision for the payment of the Bonds pursuant to the Authorizing Instrument.

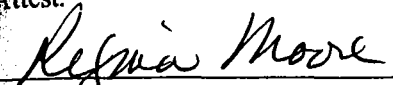
**Section 5.12. Non-Collusion.** The undersigned attests, subject to the penalties of perjury, that he/she is an authorized officer or representative of the Qualified Entity, that he/she has not, nor has any other officer or representative of the Qualified Entity, directly or indirectly, to the best of the undersigned's knowledge, entered into or offered to enter into any combination, collusion or agreement to receive pay, and that the undersigned has not received or paid any sum of money or other consideration for the execution of this agreement other than that which appears upon the face of the agreement or is a payment to lawyers, accountants and engineers by the Qualified Entity related to customary services rendered in connection with the Loan.

(End of Article V)


IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers or officials, all as of the date first above written.

**CITY OF BLOOMINGTON**

"Qualified Entity"  
By:   
John Fernandez, Mayor  
By:   
Thomas Guevara, Controller

Attest:  
  
Regina Moore, Clerk

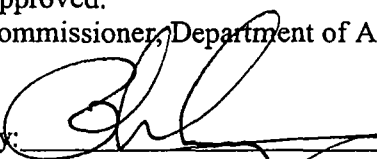
**STATE BUDGET AGENCY**

By:   
James P. McGoff, SRF Program Representative,  
for Marilyn Schultz, State Budget Director \*

"Budget Agency"

\* Per delegation letter from Marilyn Schultz, State Budget Director, dated June 6, 2003.

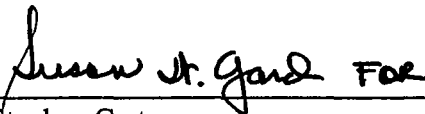
Approved:  
Commissioner, Department of Administration

By:   
Rich Emery, SRF Program Representative \*\*

\*\* Per delegation letter from David Perlini, Commissioner of the Department of Administration, dated October 15, 2002.

Approved as to form and legality:

DATE: 8-20-03

  
Stephen Carter  
Attorney General of the State of Indiana

## EXHIBIT A

STATE OF INDIANA  
STATE REVOLVING LOAN (SRF) PROGRAM  
100 NORTH SENATE AVENUE  
P.O. BOX 6015  
INDIANAPOLIS, IN 46206-6015  
317-232-4396

### REQUEST FOR DISBURSEMENT

The undersigned Authorized Representative of the Qualified Entity named in this Request, on behalf of such Qualified Entity, hereby (i) requests that the State make a Disbursement, or cause a Disbursement to be made, according to this Request and (ii) directs that the State mail, or cause to be mailed, the Disbursement to the Qualified Entity or the Contractor named in this Request.

### INSTRUCTIONS

1. This request is applicable only to costs of the Qualified Entity's wastewater or drinking water project eligible for financing through the State Revolving Loan fund (SRF).
2. A new Disbursement Request Form should be used for each contractor.
3. Combine multiple bills from a single contractor on one request form.
4. Attach a copy of the claim (a bill, invoice or a statement) underlying this Request.
5. Complete the required information and please answer all questions.
6. Indicate on this Request if the Qualified Entity has paid all or part of the Contractor's claim and is seeking reimbursement. Attach evidence that such payment was made and the date on which it was made.
7. Inquiries related to the status of a Disbursement request must be directed to the Qualified Entity. The Qualified Entity can then contact this office for the information. Please contact your contractors about this policy.
8. Requested amounts must be rounded to the nearest whole dollar.
9. The Request must be typed.
10. Please send all Disbursement Requests to the address listed above. Please send to the attention of Shelley Love (317-232-4396).

DISBURSEMENT REQUEST INFORMATION

Community: \_\_\_\_\_

Project No.: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Request No.: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Contact Phone No.: ( ) \_\_\_\_\_

Community's Authorized Representative: \_\_\_\_\_

Authorized Representative's Phone No.: \_\_\_\_\_

Description of work for which claim is being made (services, fees, type of, etc.) \_\_\_\_\_

<u>Contractor</u>	<u>Address</u>	<u>Amount Requested</u>
		\$ _____
Original Loan Amount.....		\$ _____
Total Amount of Previous Disbursements.....		\$ _____
<u>Amount of this Request</u> .....		\$ _____
Balance Available after this Disbursement.....		\$ _____

Is a portion of the claim underlying this Request subject to retainage under IC 36-1-12-14 or a similar law? YES \_\_\_\_\_ NO \_\_\_\_\_

If yes the retainage amount is ..... \$ \_\_\_\_\_  
 (This amount will be mailed to the community for such retainage purposes and the remainder sent directly to the contractor identified above.)

Has the Qualified Entity paid the request and seeking reimbursement? YES \_\_\_\_\_ NO \_\_\_\_\_

Is this the final payment to the contractor? YES \_\_\_\_\_ NO \_\_\_\_\_

The undersigned hereby certifies that this request is true and correct, that the claim underlying this Request is legally due (and is payable from the SRF) in accordance with the Qualified Entity's Financial Assistance Agreement with the State.

DATE: \_\_\_\_\_

\_\_\_\_\_  
 AUTHORIZED REPRESENTATIVE SIGNATURE



**STATE AUTHORIZATION**

The Department of Environmental Management (DEM) finds \$ \_\_\_\_\_ of the claim underlying this Request to be eligible SRF Project Costs to be disbursed as directed below.

The Program Representative hereby ( i ) authorizes the trustee to disburse the total amount stated in the preceding sentence and ( ii ) directs that such amount be mailed to:

\$ \_\_\_\_\_ the Contractor at the address identified on page 1.

\$ \_\_\_\_\_ the Qualified Entity for escrow retainage at the address identified on page 1.

\$ \_\_\_\_\_ the Qualified Entity for reimbursement at the address identified on page 1.

\$ \_\_\_\_\_ the 2<sup>nd</sup> party for escrow retainage at the address identified on page 1.

DEPARTMENT OF ENVIRONMENTAL  
MANAGEMENT

PROGRAM REPRESENTATIVE

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Trustee Certification**

The undersigned, on behalf of Bank One Trust Company, NA, as trustee, hereby certifies that a Disbursement in the amount authorized by the State, together with a completed copy of this Request, was mailed on \_\_\_\_\_, 200\_ to the party stated under "State Authorization" above. Further, a copy of this completed Request has been mailed to the Qualified Entity and the Department of Environmental Management.

Bank One Trust Company, NA

Date: \_\_\_\_\_

By: \_\_\_\_\_

Authorized Officer

**EXHIBIT B**  
**PROJECT DESCRIPTION**

The Qualified Entity will rehabilitate its Water Treatment Plant to ensure continued ability to treat water. The improvements will include extensive structural concrete repairs and replacement of equipment due to aging infrastructure. These improvements include the following:

**Filtration Facilities:**

All of the prefiltration process equipment will be removed and replaced, including primary and secondary rapid mixers, flocculators, clarifying equipment piping, valves and associated electrical equipment and instrumentation. The interior surface of the prefiltration structures that have deteriorated will be repaired with shotcrete and/or epoxy grout. The existing tube settler will be removed and replaced. The tube settlers will be constructed of PVC or ABS material and treated to provide protection against ultraviolet light.

**Filter Building:**

To meet the turbidity requirements established under the Interim Enhanced Surface Water Treatment Rule (IESWTR), a filter-aid polymer feed system will be installed. The existing Programmable Logic Controller (PLC)-based filter control system will be integrated into the plant SCADA system to provide real-time information to the plant operators. The outdated filter valves and actuators will be replaced.

**Chemical Systems:**

Much of the equipment and associated piping, electrical, and instrumentation for the existing chemical feed system are original equipment and will be removed and replaced. The existing chemical feed systems include alum, polymer, powdered activated carbon, ammonia, fluoride and lime.

**WTO SCADA System:**

The Monroe WTP SCADA system will be upgraded to provide control and/or monitoring of all plant process equipment to provide real-time data to the central control room.

The Project is more fully described in, and shall be in accordance with, the Preliminary Engineering Report and the Plans and Specifications approved by the Department.

**EXHIBIT C**  
**Principal Payment Schedule**

<b><u>Date</u></b>	<b><u>Principal Amount</u></b>
1/1/2006	\$146,000
7/1/2006	148,000
1/1/2007	151,000
7/1/2007	153,000
1/1/2008	156,000
7/1/2008	158,000
1/1/2009	161,000
7/1/2009	163,000
1/1/2010	166,000
7/1/2010	169,000
1/1/2011	171,000
7/1/2011	175,000
1/1/2012	177,000
7/1/2012	180,000
1/1/2013	183,000
7/1/2013	186,000
1/1/2014	189,000
7/1/2014	192,000
1/1/2015	196,000
7/1/2015	199,000
1/1/2016	202,000
7/1/2016	205,000
1/1/2017	209,000
7/1/2017	212,000
1/1/2018	216,000
7/1/2018	219,000
1/1/2019	223,000
7/1/2019	227,000
1/1/2020	230,000
7/1/2020	234,000
1/1/2021	238,000
7/1/2021	242,000
1/1/2022	246,000
7/1/2022	250,000
1/1/2023	254,000
7/1/2023	258,000
1/1/2024	263,000
7/1/2024	267,000
1/1/2025	271,000
<b>Total</b>	<b>\$7,885,000.00</b>

OFFICIAL STATEMENT DATED JULY 10, 2003

REFUNDING ISSUE  
Book Entry Only

RATINGS: Underlying Insured  
Fitch: AA- AAA  
S & P A AAA  
(see "RATINGS" and "BOND INSURANCE" herein)

In the opinion of Ice Miller, Indianapolis, Indiana ("Bond Counsel"), under existing laws, regulations, judicial decisions and rulings, interest on the Refunding Bonds is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended, for federal income tax purposes. Such exclusion is conditioned on continuing compliance by the City with the Tax Covenants (hereinafter defined). In the opinion of Ice Miller, Indianapolis, Indiana, under existing laws, regulations, judicial decisions and rulings, interest on the Refunding Bonds is exempt from income taxation in the State of Indiana. See "TAX MATTERS" and "Appendix D" herein.

**\$ 10,220,000**  
**CITY OF BLOOMINGTON, INDIANA**  
**Waterworks Refunding Revenue Bonds of 2003**

Dated: July 23, 2003

Due: January 1<sup>st</sup> and July 1<sup>st</sup> as shown below

The City of Bloomington, Indiana ("City") is issuing its Waterworks Refunding Revenue Bonds of 2003 (the "Refunding Bonds") for the purpose of refunding the City's Waterworks Refunding Revenue Bonds of 1993 in the amount of \$3,520,000 and the City's Waterworks Revenue Bonds of 1995 in the amount of \$6,030,000 (see "Purpose of the Issue", page 1).

The Refunding Bonds will be issued as provided in Ordinance No. 03-10 (the "Bond Ordinance" or "Ordinance"), adopted by the City on April 2, 2003. The Refunding Bonds will be payable solely from the net revenues of the City's Waterworks (the "Waterworks") as more fully described in this Official Statement, and will rank on a parity with the City's Waterworks Revenue Bonds of 2000, Series A and Waterworks Revenue Bonds of 2003, Series A (see "Security for the Refunding Bonds", page 8).

The Refunding Bonds are issuable only as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Refunding Bonds will be made in book-entry-only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Refunding Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Refunding Bonds. Interest on the Refunding Bonds is payable semi-annually on January 1 and July 1 of each year commencing January 1, 2004. Interest, together with principal of and redemption premium, if any, on the Refunding Bonds, will be paid directly to DTC by the Paying Agent so long as DTC or its nominee is the registered owner of the Refunding Bonds. The final disbursements of such payments to the Beneficial Owners of the Refunding Bonds, will be the responsibility of DTC Participants and the Indirect Participants, all as defined and more fully described herein under the caption "Book-Entry-Only System".

Financial Guaranty Insurance Company has committed to issue a policy of insurance guaranteeing the payment when due of principal and interest on the Refunding Bonds.



**Financial Guaranty Insurance  
Company**

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

Maturity	Principal	Interest Rate	Yield	Price	Maturity	Principal	Interest Rate	Yield	Price
01/1/2004	\$505,000	2.000%	1.000%	100.436	07/1/2007	\$505,000	2.500%	2.180%	101.200
07/1/2004	465,000	2.000%	1.100%	100.838	01/1/2008	500,000	2.500%	2.500%	100.000
01/1/2005	465,000	2.000%	1.400%	100.851	07/1/2008	515,000	2.500%	2.500%	100.000
07/1/2005	480,000	2.000%	1.450%	101.047	01/1/2009	525,000	3.000%	2.790%	101.051
01/1/2006	480,000	2.000%	1.760%	100.570	07/1/2009	180,000	3.000%	2.790%	101.140
07/1/2006	485,000	2.000%	1.800%	100.569	01/1/2010	185,000	3.000%	3.110%	99.361
01/1/2007	490,000	2.500%	2.150%	101.153	07/1/2010	200,000	3.000%	3.110%	99.316

\$380,000 Term Bond 3.500% due July 1, 2011 - Price 101.175  
 \$385,000 Term Bond 3.875% due July 1, 2012 - Price 102.855  
 \$380,000 Term Bond 4.000% due July 1, 2013 - Price 102.809  
 \$405,000 Term Bond 4.250% due July 1, 2014 - Price 103.777  
 \$425,000 Term Bond 4.250% due July 1, 2015 - Price 102.526  
 \$455,000 Term Bond 4.500% due July 1, 2016 - Price 103.235  
 \$490,000 Term Bond 4.500% due July 1, 2017 - Price 102.414  
 \$500,000 Term Bond 4.500% due July 1, 2018 - Price 101.601  
 \$820,000 Term Bond 4.500% due January 1, 2020 - Price 100.156

The Refunding Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, the withdrawal or modification of the offer without notice, and to the unqualified approval as to the legality of the Refunding Bonds by Ice Miller. It is expected that the Refunding Bonds, in definitive form, will be available for delivery to the Underwriter in Indianapolis on or about July 23, 2003.

**BANC ONE CAPITAL MARKETS, INC.**

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

No dealer, broker, salesperson or other person has been authorized by the City or by the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Refunding Bonds, and if given or made, such information or representations 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, nor shall there be any sale of the Refunding Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the information presented herein since the date hereof.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE REFUNDING BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**THE REFUNDING BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERIT AND RISK INVOLVED. THE REFUNDING BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission in Securities and Exchange Commission Rule 15c2-12, as amended, the City will enter into a Continuing Disclosure Agreement. For a description of the Continuing Disclosure Agreement, see "CONTINUING DISCLOSURE".

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## **PROJECT PERSONNEL**

Names and positions of the City officials and other professionals who have taken part in the planning of the proposed bond issue are:

### **Mayor**

John Fernandez

### **Common Council Members**

Chris Gaal, President

Jason Banach  
Patricia Cole  
Michael Diekhoff  
Timothy Mayer

Anthony Pizzo  
Andy Ruff  
L. David Sabbagh  
Jeffrey Willsey

### **Utilities Service Board**

L. Thomas Swafford, President

Jeffrey Ehman, Vice President  
Richard Eherenman  
Tim J. Henke  
Timothy Mayer, Ex- Officio

Frona M. Powell  
Samuel Vaught  
Jeffrey R. White  
Tom Micuda-Officio

### **Staff**

Michael M. Phillips, Director  
Margaret Dalle-Ave, CIA, Assistant Director – Finance  
Michael Bengtson, Assistant Director – Engineering  
John Langley, Director – Environmental Compliance

### **Financial Advisor**

O. W. Krohn & Associates, LLP  
*CPA's and Consultants*  
Westfield, Indiana

### **Bond Counsel**

Ice Miller  
Indianapolis, Indiana

### **Corporate Counsel**

Linda Runkle  
City of Bloomington

### **Rate Consultant**

Black & Veatch

## OFFICIAL STATEMENT

### **\$ 10,220,000 CITY OF BLOOMINGTON, INDIANA Waterworks Refunding Revenue Bonds of 2003**

#### INTRODUCTION

This Preliminary Official Statement, which includes the cover page and appendices, is intended solely for the purpose of providing certain information concerning the offering of \$10,220,000 in aggregate principal amount of Waterworks Refunding Revenue Bonds of 2003 (the "Refunding Bonds") by the City of Bloomington, Indiana (the "City").

The statutory authority for the issuance of the Refunding Bonds is provided by Indiana Code, Title 8, Article 1.5 and Title 5, Article 1, Chapter 5, each as in effect on the date of delivery of the Refunding Bonds. The Refunding Bonds will be authorized and issued pursuant to Ordinance No.03-10 (the "Bond Ordinance") adopted by the City's Common Council on April 2, 2003 which secures such Refunding Bonds and sets forth the terms thereof. A copy of the Bond Ordinance is included herein as Appendix E.

The Refunding Bonds, are valid and legally binding limited obligations of the City, secured by and payable solely from the Net Revenues (defined as gross revenues after deduction only for the reasonable expenses of operation and maintenance) to be derived from the operation of the water utility system (the "Waterworks") owned by the City, on a parity with the City's Waterworks Revenue Bonds of 2000, Series A and Waterworks Revenue Bonds of 2003, Series A (see "Security for the Refunding Bonds", page 8). Such Refunding Bonds are not a pecuniary liability of or a charge against the general credit of the City and do not constitute indebtedness thereof within the meaning of any constitutional or statutory limitation or provision. Neither the credit nor the taxing power of the City is, or under any circumstances shall be, pledged as security for the payment of the Refunding Bonds.

The definitions of certain words and terms used in this Official Statement, unless the context clearly indicates otherwise, shall have the same meanings as set forth in the Bond Ordinance. This Official Statement contains summaries of selected portions of the Bond Ordinance, and such summaries are qualified in their entirety by the full text of the Bond Ordinance.

**Investors must read the entire Official Statement to obtain information essential to the making of an informed investment.**

#### PURPOSE OF THE ISSUE

The proceeds from the sale of the \$10,220,000 Refunding Bonds together with funds on hand will be applied to the refunding of the City's Waterworks Refunding Revenue Bonds of 1993 ("1993 Bonds") in the aggregate amount of \$3,520,000 and the City's Waterworks Revenue Bonds of 1995 ("1995" Bonds) in the aggregate amount of \$6,030,000 and to pay the costs incurred by the City incident to the sale and issuance of the Refunding Bonds.

The purpose for refunding the 1993 Bonds and the 1995 Bonds is to lower interest costs to the City.

The refunding of the 1993 and 1995 Bonds will be accomplished by creating an irrevocable escrow and trust account described on page 2 ("Trust Account") and depositing therein certain cash and noncallable direct obligations of the United States of America. The 1993 Bonds will be payable from the Trust Account to and including August 22, 2003, and will be redeemed on August 22, 2003, the earliest date on which the 1993 Bonds may be redeemed, with accrued interest, and a redemption premium of 2%. The 1995 Bonds will be payable from the Trust Account to and including July 1, 2005, and with the exception of the Bonds maturing on and after January 1, 2006, will be redeemed on January 1, 2005, the earliest date on which the 1995 Bonds may be redeemed, with accrued interest, and a redemption premium of 2%. The bonds maturing on and before July 1, 2005 will be payable from the Trust Account at par value with accrued interest on their scheduled date of maturity.



## ESTIMATED SOURCES AND USES OF FUNDS

Sources of funds include proceeds from the sale of the proposed Refunding Bonds including original issue premium net of original issue discount. The estimated sources and uses of funds are summarized below:

### Sources of Funds:

Par Amount of Bonds	\$10,220,000.00
Original Issue Discount	(2,550.15)
Premium	127,851.70
Total	<u>\$10,345,301.55</u>

### Uses of Funds:

Deposit to Escrow Fund	\$10,170,017.59
Cost of Issuance, Underwriter's Discount, Insurance and Debt Service Reserve Fund Surety	172,408.23
Contingency	2,875.73
Total	<u>\$10,345,301.55</u>

## THE REFUNDING PROGRAM

Pursuant to the terms of an escrow agreement dated as of the date of delivery of the Refunding Bonds, entered into between the City and Bank One Trust Company, National Association, located in Indianapolis, Indiana (the "Escrow Agreement"), the refunding of the 1993 Bonds and 1995 Bonds will be accomplished by (a) creating an irrevocable escrow and trust account (the "Trust Account") to be held by Bank One Trust Company, National Association, located in Indianapolis, Indiana as escrow trustee for the holders of the 1993 Bonds and 1995 Bonds (the "Escrow Trustee") and (b) depositing therein a sum of initial cash and certain non callable direct obligations of the United States of America (the "Government Obligations"). The funds needed to make the initial cash deposit to the Trust Account and to purchase the Government Obligations will be provided from the proceeds of the sale of the Refunding Bonds and funds of the Waterworks.

The Government Obligations to be purchased and deposited with the Escrow Trustee will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid according to their respective terms, sufficient monies, together with any amount of cash on deposit with the Escrow Trustee, will be available to make full and timely payment of all principal, interest and, for the 1993 Bonds and 1995 Bonds, redemption premiums due with respect to the 1993 Bonds and 1995 Bonds from and after the date of delivery of the Refunding Bonds to and including, August 22, 2003, the earliest call date for the 1993 Bonds and January 1, 2005, the earliest call date of the 1995 Bonds.

Mathematical calculations of the adequacy of the Trust Account to fully provide for all payments enumerated above will be verified by O. W. Krohn & Associates, LLP at the time of delivery of the Refunding Bonds. See "CPA Verification" herein.

All monies and Governmental Obligations on deposit with the Escrow Trustee, including any earnings thereon, are pledged solely and irrevocably for the benefit of the holders of the 1993 Bonds and 1995 Bonds.

## THE REFUNDING BONDS

### General Description

The Refunding Bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Refunding Bonds will be originally dated as of the date of delivery.

Interest on the Refunding Bonds will be payable semi annually on July 1 and January 1 of each year, commencing January 1, 2004 (each an "Interest Payment Date"). The Refunding Bonds will bear interest (calculated on the basis of a 30-day month and a 360-day year) at the rates and will mature on the dates and in the principal amounts set forth on the cover page of this Official Statement.

The Refunding Bonds are anticipated to be available for delivery to DTC in New York, New York, on or about July 23, 2003.

Each Refunding Bond will be registerable at and shall be transferable or exchangeable only upon the books of the City kept for that purpose at the principal corporate trust office of the Bank One Trust Company, National Association ("Registrar"), by the registered owner in person, or by its attorney duly authorized in writing, upon surrender of such Refunding Bond together with a written instrument of transfer or exchange satisfactory to the Registrar. A further description of the registration and exchange features of the Refunding Bonds can be found in Section 2 of the Bond Ordinance.

If any Refunding Bond is mutilated, lost, stolen, or destroyed, the Registrar shall certify and deliver, subject to the provisions of the Bond Ordinance, a replacement Refunding Bond or Refunding Bonds of like denomination and tenor. In the case of destruction, theft, or loss, the applicant for a substituted Refunding Bond shall furnish to the Registrar evidence of the destruction of such Refunding Bond so destroyed, which evidence must be satisfactory to the Registrar, in its discretion, and such applicant shall also furnish indemnity satisfactory to the Registrar. The Registrar shall have the right to require the payment of the expense of issuing such replacement prior to the delivery of a new Refunding Bond.

Provisions for Payment

The principal of the Refunding Bonds shall be payable at the principal corporate trust office of the Bank One Trust Company, National Association ("Paying Agent"). All payments of interest on the Refunding Bonds shall be paid by check, mailed one business day prior to the interest payment date to the registered owners as the names appear on the 15<sup>th</sup> day of the month preceding the interest payment date ("Record Date") and at the addresses as they appear on the registration books kept by the Registrar, or at such other address as is provided to the Paying Agent. If payment of principal or interest is made to a depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding business day. The Paying Agent shall be instructed to wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). Payments on the Refunding Bonds shall be made in any coin or currency of the United States of America which, on the date of such payment, shall be legal tender.

**REDEMPTION**

*Optional Redemption.* Bonds due on and after July 1, 2014, shall be subject to optional redemption prior to their stated maturities, in whole or in part in the order of maturity as determined by the City, and by lot within a maturity, on any date on or after July 1, 2013, at the principal amount thereof without any premium plus accrued interest to the date of redemption.

*Mandatory Sinking Fund Redemption.*

**Term Bonds Due July 1, 2011**

The Bonds maturing on July 1, 2011 are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, on the dates and in the amounts set forth below:

<u>Date</u>	<u>Amount</u>
01/01/11	\$180,000
07/01/11*	200,000

\*Final Maturity

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*Mandatory Sinking Fund Redemption. (continued)*

**Term Bonds Due July 1, 2012**

The Bonds maturing on July 1, 2012 are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, on the dates and in the amounts set forth below:

<u>Date</u>	<u>Amount</u>
01/01/12	\$200,000
07/01/12*	185,000

\*Final Maturity

**Term Bonds Due July 1, 2013**

The Bonds maturing on July 1, 2013 are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, on the dates and in the amounts set forth below:

<u>Date</u>	<u>Amount</u>
01/01/13	\$190,000
07/01/13*	190,000

\*Final Maturity

**Term Bonds Due July 1, 2014**

The Bonds maturing on July 1, 2014 are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, on the dates and in the amounts set forth below:

<u>Date</u>	<u>Amount</u>
01/01/14	\$200,000
07/01/14*	205,000

\*Final Maturity

**Term Bonds Due July 1, 2015**

The Bonds maturing on July 1, 2015 are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, on the dates and in the amounts set forth below:

<u>Date</u>	<u>Amount</u>
01/01/15	\$210,000
07/01/15*	215,000

\*Final Maturity

**Term Bonds Due July 1, 2016**

The Bonds maturing on July 1, 2016 are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, on the dates and in the amounts set forth below:

<u>Date</u>	<u>Amount</u>
01/01/16	\$225,000
07/01/16*	230,000

\*Final Maturity

***Mandatory Sinking Fund Redemption. (continued)***

**Term Bonds Due July 1, 2017**

The Bonds maturing on July 1, 2017 are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, on the dates and in the amounts set forth below:

<u>Date</u>	<u>Amount</u>
01/01/17	\$245,000
07/01/17*	245,000

\*Final Maturity

**Term Bonds Due July 1, 2018**

The Bonds maturing on July 1, 2018 are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, on the dates and in the amounts set forth below:

<u>Date</u>	<u>Amount</u>
01/01/18	\$245,000
07/01/18*	255,000

\*Final Maturity

**Term Bonds Due January 1, 2020**

The Bonds maturing on January 1, 2020 are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, on the dates and in the amounts set forth below:

<u>Date</u>	<u>Amount</u>
01/01/19	\$270,000
07/01/19	275,000
01/01/20*	275,000

\*Final Maturity

The Paying Agent shall credit against the mandatory sinking fund requirement for the Refunding Bonds issued as term bonds and corresponding mandatory redemption obligation, in the order determined by the City, any term bonds maturing on the same date which have previously been redeemed (otherwise than as a result of a previous mandatory redemption requirement) or delivered to the Registrar for cancellation or purchased for cancellation by the Paying Agent and not theretofore applied as a credit against any redemption obligation. Each term bond so delivered or canceled shall be credited by the Paying Agent at 100% of the principal amount thereof against the mandatory sinking fund obligation on such mandatory sinking fund date and the principal amount of that term bond to be redeemed by operation of the mandatory sinking fund requirement shall be accordingly reduced; provided, however, the Paying Agent shall only credit such term bonds to the extent received on or before forty-five days preceding the applicable mandatory redemption date.

***Notice and Effect of Redemption.*** Notice of redemption shall be given by the Registrar by mailing a copy of the redemption notice, at least 30 days prior to the redemption date to the owners of the Refunding Bonds to be redeemed as the names appear as of the date which is 45 days prior to such redemption date. No failure or defect in that notice with respect to any Refunding Bonds shall affect the validity of the proceedings for the redemption of any other Refunding Bonds for which notice has been properly given.

If notice of redemption has been given and provisions for payment of the redemption price, and accrued interest has been made, the Refunding Bonds to be redeemed shall be due and payable on the redemption date at the redemption price, and from and after the redemption date interest on the Refunding Bonds will cease to accrue, and the owners of the Refunding Bonds shall have no rights in respect thereof, except to receive payment of the redemption price including unpaid interest accrued to the redemption date.

## BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Refunding Bonds. The Refunding Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Refunding Bond certificate will be issued for each maturity of the Refunding Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Refunding Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, 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 Refunding Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Refunding Bonds, except in the event that use of the book-entry system for the Refunding Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Beneficial Owners of Refunding Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Refunding Bonds, such as redemptions, defaults, and proposed amendments to the Ordinance. For example, Beneficial Owners of Refunding Bonds may wish to ascertain that the nominee holding the Refunding Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Refunding Bonds. Under its usual procedures, DTC will mail an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts for the Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Registrar 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 Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Refunding Bonds at any time by giving reasonable notice to the City or the Registrar. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

**Neither the City of Bloomington nor the Registrar will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person not shown on the registration books of the Registrar as being a holder with respect to: (1) the Refunding Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the purchase price of tendered Refunding Bonds or the principal or interest on the Refunding Bonds; (4) the delivery by any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Bond Ordinance to be given to holders; or (5) any consent given or other action taken by DTC holder.**

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Refunding Bonds.

The City cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Refunding Bonds made to DTC or its nominee as the registered owner, or any other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

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

### **Discontinuation of Book-Entry System**

In the event that the book-entry system for the Refunding Bonds is discontinued, the Registrar would provide for the registration of the Refunding Bonds in the name of the Beneficial Owners thereof. The City and the Registrar would treat the person in whose name any Refunding Bonds is registered as the absolute owner of such Refunding Bonds and for the purposes of making and receiving payment of the principal thereof and interest thereon, and for all other purposes, and neither the City nor the Registrar would be bound by any notice or knowledge to the contrary.

Each Refunding Bond would be transferable or exchangeable only upon the presentation and surrender thereof at the principal corporate trust office of the Registrar, duly endorsed for transfer or exchange, or accompanied by a written assignment duly executed by the owner or its authorized representative in form satisfactory to the Registrar. Upon due presentation of any Refunding Bonds for transfer or exchange, the Registrar would authenticate and deliver in exchange therefor, within a reasonable time after such presentation, a new Refunding Bond or Refunding Bonds, registered in the name of the transferee or transferees (in the case of a transfer), or the owner (in the case of an exchange), in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Refunding Bond or Refunding Bonds so presented. The City or the Registrar would require the owner of any Refunding Bonds to pay a sum sufficient to cover any tax, fee or other governmental charge required to be paid in connection with the transfer or exchange of such Refunding Bonds.

### **SECURITY FOR THE REFUNDING BONDS**

The Refunding Bonds are issued under the terms of the Bond Ordinance and together with any subsequently issued parity bonds constitute valid and legally binding special obligations of the City. The Refunding Bonds shall be payable from and secured by an irrevocable pledge of and shall constitute a first charge upon all the "Net Revenues" (defined in the Bond Ordinance as gross revenues after deduction only for the payment of the reasonable expense of operation and maintenance) derived by the City from the operation of the Waterworks, on a parity with the payment of (i) certain Waterworks Revenue Bonds of 2000, Series A, now outstanding in the amount of \$10,846,000; and (ii) certain Waterworks Revenue Bonds of 2003, Series A, now outstanding in the amount of \$4,215,000.

Such Refunding Bonds are not a pecuniary liability of or a charge against the general credit of the City and do not constitute an indebtedness thereof within the meaning of any constitutional or statutory limitation or provisions. Neither the credit nor the taxing power of the City is, or under any circumstances shall be, pledged as security for the payment of the Refunding Bonds.

### **RATE COVENANT**

The City shall establish, maintain and collect reasonable and just and equitable rates and charges for facilities and services afforded and rendered by said water utility, which shall to the extent permitted by law produce sufficient revenues at all times to pay all the legal and other necessary expense incident to the operation of such utility, to include maintenance costs, operating charges, upkeep, repairs, interest charges on bonds or other obligations, to provide for the proper Operation and Maintenance (as defined in Ordinance No. 01-42) of the waterworks, to provide the sinking fund and debt service reserve for the liquidation of bonds or other evidences of indebtedness, to provide adequate funds to be used as working capital, as well as funds for making extensions, additions, and replacements, and also, for the payment of any taxes that may be assessed against such utility, it being the intent and purpose hereof that such charges shall produce an income sufficient to maintain such utility property in a sound physical and financial condition to render adequate and efficient service. The rates and charges shall be established to the extent permitted by law, to produce Net Revenues sufficient to pay 1.20 times the annual debt service on the Outstanding Bonds, the Refunding Bonds, and bonds hereafter issued on a parity therewith. For purposes of the rate covenant, Net Revenues exclude any outstanding fund balances from prior years. So long as any of the Refunding Bonds are outstanding, none of the facilities or services afforded or rendered by said system shall be furnished without a reasonable and just charge being made therefore.

The City shall pay like charges for any and all services rendered by said utility to the City, and all such payments shall be deemed to be revenues of the utility. Such rates or charges shall, if necessary, be changed and readjusted from time to time so that the revenues there from shall always be sufficient to meet the expenses of operation and maintenance and the requirements of the Sinking Fund.

In the event the City or the proper officers thereof shall fail or refuse to so establish, maintain, and collect such rates or charges, or if there be a default in the payment of the interest on or principal of the Refunding Bonds, the owners of such Refunding Bonds shall have all of the rights and remedies provided for under Indiana law.

## FLOW OF FUNDS

Waterworks revenues will be accounted for separate and apart from all other funds of the City and apportioned among the funds and accounts specified below:

- (a) Revenue Fund. All revenues derived from the operation of the Waterworks shall be deposited in this Fund and allocated in the following manner:

Operation and Maintenance Fund. On the last day of each month, there shall be transferred to the General Account of this Fund, a sufficient amount of revenues so that the balance in the General Account is sufficient to pay the expenses of operation and maintenance with respect to the Waterworks for the next succeeding two months. Monies in the General Account shall be applied to pay reasonable operation and maintenance costs of the Waterworks, but none of the monies in such General Account may be used for depreciation, payments in lieu of taxes, replacements, improvements, extensions or additions. Any monies in said General Account may be used to prevent a default in the payment of the outstanding bonds of the Waterworks. All remaining revenues of the Waterworks shall be transferred to meet the requirements of the Waterworks Sinking Fund as described below. Monies in excess of the Sinking Fund requirements may be transferred to the Waterworks Improvement Fund or retained in the General Account at the discretion of the Utility Service Board.

- (b) Waterworks Sinking Fund. Each month there shall be transferred to this Fund from the General Account an amount sufficient to satisfy the payments required to be made into the Accounts listed below, which Accounts have been created within the Waterworks Sinking Fund:

Bond and Interest Account. An amount sufficient to pay, with respect to all bonds outstanding, at least one-sixth (1/6) of the interest due and payable on the next succeeding interest payment date and at least one-sixth (1/6) of the principal maturing on the next succeeding principal payment date, until the amount of interest and principal payable on the then next succeeding interest and principal payment date shall have been so credited. There shall similarly be credited to the Account an amount necessary to pay the bank fiscal agency charges for paying principal and interest on outstanding bonds as the same become payable.

Reserve Account. The City purchased a debt service reserve surety on the 2000 Bonds which is held in the Reserve Account. The City has deposited cash in the Reserve Account in the amount of the Reserve Requirement (as defined in the ordinance authorizing the 2003, Series A Bonds) as a reserve for the 2003, Series A Bonds. For the Refunding Bonds, the City has purchased a Qualified Surety Bond to fund the Reserve Account. Upon the issuance of the Refunding Bonds, the Reserve Account shall contain an amount equal to the least of (i) the maximum annual debt service on the Refunding Bonds, (ii) 125% of average annual debt service on the Refunding Bonds or (iii) 10% of the proceeds of the Refunding Bonds; provided that the total balance maintained in the Reserve Account, (taking into account the debt service reserve sureties and cash, if any, held therein), shall not be less than the maximum annual debt service on all outstanding bonds, including the Refunding Bonds.

- (c) Waterworks Improvement Fund. Any revenues from the General Account credited to this Fund shall be used for improvements, replacements, additions, extensions, and for payments in lieu of taxes of the Waterworks. Monies in this Fund shall be transferred:

(i) to the Bond and Interest Account, if necessary, to prevent a default in the payment of principal and interest on any bonds outstanding; (ii) to the Reserve Account, if necessary, to eliminate any deficiencies in credits thereto or the minimum balance therein; or (iii) may be transferred to the General Account to meet unforeseen contingencies in the operation and maintenance of the Waterworks.



## PARITY BONDS

The City reserves the right to authorize and issue additional bonds payable out of the Net Revenues of the Waterworks ranking on a parity with the Refunding Bonds for the purpose of financing the cost of future additions, extensions, and improvements to the Waterworks, or to refund obligations, subject to the following conditions:

- (a) All required payments into the Sinking Fund shall have been made in accordance with the provisions of the Bond Ordinance, and the interest on and principal of all bonds payable from the Net Revenues of the Waterworks shall have been paid in accordance with the terms thereof. A debt service reserve for the additional parity bonds commensurate with and proportional to the debt service reserve created for the Refunding Bonds under the Bond Ordinance shall be created and maintained. (For details see "Flow of Funds" subparagraph (b) "Waterworks Sinking Fund -Reserve Account" herein.) Such reserve may either be funded with bond proceeds, funds of the Waterworks or a combination thereof or, the City may obtain a Qualified Surety Bond (from an insurance company rated in the highest category, at the time of issuance of such additional parity bonds, by Moody's Investors Service and Standard & Poor's Corporation) for said additional parity bonds.
- (b) The Net Revenues of the Waterworks in the calendar year immediately preceding the issuance of any such parity bonds shall be not less than 125 percent of the maximum annual interest and principal requirements of the then outstanding bonds and the additional parity bonds then proposed to be issued; or, prior to the issuance of said proposed additional parity bonds, the water rates and charges shall be increased sufficiently so that the increased rates and charges applied to the previous calendar year's operations would have produced Net Revenues for said year equal to not less than 125 percent of the maximum annual interest and principal requirements of the then outstanding bonds and the additional parity bonds then proposed to be issued. For purposes of this computation, the records of the Waterworks shall be analyzed and all showings prepared by a certified public accountant or nationally recognized financial consultant or consulting engineer employed by the City for that purpose.
- (c) The interest on the additional parity bonds shall be payable semiannually on the first days of January and July and the principal on, or mandatory sinking fund redemptions for, the additional parity bonds shall be payable semi annually on the first days of January and July.
- (d) So long as the 2000 Bonds or 2003 Bonds are outstanding, (i) the City obtains the consent of the State of Indiana, (ii) the City has faithfully performed and is in compliance with each of its obligations, agreements and covenants contained in the Financial Assistance Agreement (as defined in Ordinance No. 01-42) and the Bond Ordinance, and (iii) the City is in compliance with its waterworks permits, except for non-compliance for which purpose the parity bonds are issued, including refunding bonds issued prior to, but part of the overall plan to eliminate such non-compliance.

## TAX MATTERS

In the opinion of Ice Miller, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Refunding Bonds is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, (the "Code"), as amended and in effect on the issue date of the Refunding Bonds for federal income tax purposes. This opinion relates only to the exclusion from gross income of interest on the Refunding Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the City with the Tax Covenants (hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Refunding Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. In the opinion of Ice Miller, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Refunding Bonds is exempt from income taxation in the State of Indiana ("State"). This opinion relates only to the exemption of interest on the Refunding Bonds for State income tax purposes. See Appendix D, the form of opinion of Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the Refunding Bonds as a condition to the exclusion from gross income of interest on the Refunding Bonds for federal income tax purposes. The City of Bloomington will covenant not to take any action, within its power and control, nor fail to take any action with respect to the Refunding Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Refunding Bonds pursuant to Section 103 of the Code (collectively, the "Tax Covenants"). The Bond Ordinance and certain certificates and agreements to be delivered on

the date of delivery of the Refunding Bonds establish procedures to permit compliance with the requirements of the Code. It is not an event of default under the Bond Ordinance if interest on the Refunding Bonds is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the issue date of the Refunding Bonds.

The interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Refunding Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

IC 6-5.5 imposes a franchise tax on certain taxpayers (as defined in IC 6-5.5) which, in general, include all corporations which are transacting the business of a financial institution in Indiana. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code.

Although Bond Counsel will render an opinion that interest on the Refunding Bonds is excluded from federal gross income and exempt from State income tax, the accrual or receipt of interest on the Refunding Bonds may otherwise affect a bondholder's federal tax or state tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and a bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Refunding Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Refunding Bonds should consult their own tax advisors with regard to the federal and state tax consequences of owning the Refunding Bonds other than those consequences set forth in the form of opinion of Bond Counsel.

Under existing laws, judicial decisions, Regulations, and rulings, the Refunding Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265 (b)(3) of the Code relating to the disallowance of the deduction for interest expense allocable to interest on tax-exempt obligations acquired by financial institutions.

## **ORIGINAL ISSUE DISCOUNT**

The initial public offering price of the Refunding Bonds maturing on January 1 and July 1, 2010 is less than the principal amount payable at maturity (such Refunding Bonds, "Discount Refunding Bonds"). The Discount Refunding Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Refunding Bonds, as set forth on the cover page of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amount payable at maturity of the Discount Refunding Bonds, will be treated as "original issue discount." The original issue discount on each of the Discount Refunding Bonds is treated as accruing daily over the term of such Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or shorter period from the date of the original issue) ending on January 1 and July 1 (with straight line interpolation between compounding dates). An owner who purchases a Discount Refunding Bond in the initial public offering at the Issue Price for such maturity will treat the accrued amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Refunding Bond for federal income tax purposes.

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Refunding Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discount Refunding Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Refunding Bonds (including sale, redemption or payment at maturity). Owners of Discount Refunding Bonds who dispose of Discount Refunding Bonds prior to maturity should consult their tax advisors concerning the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Refunding Bonds prior to maturity.

The original issue discount that accrues in each year to an owner of a Discount Refunding Bond may result in certain collateral federal income tax consequences. Owners of any Discount Refunding Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax

consequences even though the owners of such Discount Refunding Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Refunding Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Refunding Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of Refunding Bonds such as the Discount Refunding Bonds. Owners who do not purchase Discount Refunding Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Refunding Bonds.

Owners of Discount Refunding Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Refunding Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes that accrued interest on the Discount Refunding Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

### **AMORTIZABLE BOND PREMIUM**

The initial offering price of the Refunding Bonds maturing on January 1, 2004 through and including July 1, 2007 and maturing on January 1, 2009 through July 1, 2009 and maturing on July 1, 2011 through and including January 1, 2020 is greater than the principal amount payable at maturity (such Refunding Bonds, the "Premium Refunding Bonds"). The Premium Refunding Bonds will be considered to be issued with amortizable bond premium (the "Bond Premium"). An owner who acquires a Premium Refunding Bond in the initial offering will be required to adjust the owner's basis in the Premium Refunding Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Refunding Bonds (including sale, redemption or payment at maturity). The amount of amortizable Bond Premium will be computed on the basis of the taxpayer's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth at Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Refunding Bonds. Owners of the Premium Refunding Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Premium Refunding Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Refunding Bonds.

Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities, are found at Section 75 of the Code. Dealers in tax-exempt securities are urged to consult their own tax advisors concerning the treatment of Bond Premium.

### **CONTINUING DISCLOSURE**

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission in SEC Rule 15c2-12, as amended (the "Rule"), the City will enter into a Continuing Disclosure Undertaking Agreement (the "Agreement") with the Counterparty, as defined in the Agreement (the "Counterparty"), to be dated the date of delivery of the Refunding Bonds.

The following is a brief summary of certain provisions of the Agreement. This summary does not purport to be a comprehensive description and is qualified in its entirety by reference to the Agreement. See Appendix F. Pursuant to the terms of the Agreement, the City will agree to provide the following information while any Refunding Bonds are outstanding:

- Annual Financial Information. To each nationally recognized municipal securities information repository ("NRMSIR") then in existence and to the Indiana state information repository if any, ("SID"), when and if available, the audited financial

statements of the City as prepared by the State Board of Accounts for each twelve (12) month period, beginning with the twelve (12) month period ending December 31, 2003, within sixty (60) days of receipt from the State Board of Accounts: and

- Financial Information in this Official Statement. To each NRMSIR then in existence and to the SID then in existence, if any, within 180 days of each December 31, beginning with the calendar year ending December 31, 2003, annual financial information for the City for such calendar year, other than the audited financial statements described above, including (i) unaudited financial information of the Waterworks, if audited financial statements are not available; (ii) operating data of the type included under the User Connections and Large Users headings in Appendix A to this Official Statement (collectively, the "Annual Information").
- Event Notices. In a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board (MSRB), and to the SID notice of certain events listed in the Rule, if material with respect to the Refunding Bonds (which determination of materiality shall be made by the City).

The City may, from time to time, amend, waiver, or modify any provision of the Agreement without the consent of the owners of the Refunding Bonds if: (a)(i) such amendments, waiver, or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature, or status of the City, or type of business conducted; (ii) the Agreement, as so amended or modified, or taking into account such waivers, would in the opinion of nationally recognized bond counsel have complied with the requirements of the Rule on the date of execution of the Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) such amendment or modification does not materially impair the interests of the holders of the Refunding Bonds, as determined either by (A) the Counterparty, or nationally recognized bond counsel or (B) an approving vote of the holders of the Refunding Bonds pursuant to the terms of the Bond Ordinance at the time of such amendment or modification; or (b) such amendment or modification (including an amendment or modification which rescinds the Agreement) is permitted by the Rule, as then in effect.

The City may, at its sole discretion, utilize an agent in connection with the dissemination of any financial information required to be provided by the City pursuant to the terms of the Agreement.

The purpose of the Agreement is to enable the Underwriter to purchase the Refunding Bonds by providing for an undertaking by the City in satisfaction of the Rule. The Agreement is solely for the benefit of the owners of the Refunding Bonds and creates no new contractual or other rights for the SEC, underwriters, brokers, dealers, municipal securities dealers, potential customers, other obligated persons or any other third party. The sole remedy against the City for any failure to carry out any provision of the Agreement shall be for specific performance of the City's disclosure obligations under the Agreement and not for money damages of any kind or in any amount or any other remedy. The City's failure to honor its covenants under the Agreement shall not constitute a breach or default of the Refunding Bonds, the Bond Ordinance, or any other agreement.

## **LEGAL OPINIONS AND ENFORCEABILITY OF REMEDIES**

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

The remedies available to the bondholders upon default under the Bond Ordinance are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies provided in the Bond Ordinance may not be readily available or may be limited. Under Federal and State environmental laws certain liens may be imposed on property of the City from time to time, but the City has no reason to believe, under existing law, that any such lien would have priority over the lien on the Net Revenues of the Waterworks which are pledged to the holders of the Refunding Bonds under the Bond Ordinance.

The various legal opinions to be delivered concurrently with the delivery of the Refunding Bonds will state that the enforceability of the various legal instruments is subject to the valid exercise of the constitutional powers of the City, the State of Indiana and the United States of America and bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

These exceptions would encompass any exercise of Federal, State, or local police powers (including the police powers of the City), in a manner consistent with the public health and welfare. Enforceability of the Bond Ordinance in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

## **LITIGATION**

At the time of delivery of the Refunding Bonds, the City will certify that there is no material litigation or proceeding pending or, to the knowledge of the City threatened, in any court, agency or other administrative body restraining or contesting the issuance of the Refunding Bonds, or the pledging of Net Revenues, or in any way affecting the validity of any provision of the Refunding Bonds or the Bond Ordinance.

## **UNDERWRITING**

The Refunding Bonds are being purchased by the Underwriter, for the amount equal to \$10,321,488.95 (which represents principal amount of the Refunding Bonds, plus original issue premium of \$127,851.70, less original issue discount of \$2,550.15, less Underwriter's discount of \$23,812.60). The Underwriter may make a secondary market in the Refunding Bonds; however, no assurance can be given that such a market will develop or be maintained in the future.

The Underwriter may offer and sell the Refunding Bonds to certain dealers (including dealers depositing the Refunding Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices lower than the initial public offering prices stated on the cover page. The initial public offering prices of the Refunding Bonds may be changed, from time to time, by the Underwriter.

Banc One Capital Markets, Inc. (BOCM) is a broker-dealer and a subsidiary of Bank One Corporation (BANK ONE), a multi-bank holding company. Any obligations of the BOCM are its sole obligations and do not create any obligations on the part of any affiliate of the BOCM, including any affiliated banks.

## **RATINGS**

### **Ratings as Insured Bonds**

Standard and Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings ("Fitch") have assigned municipal "AAA" bond ratings to the Refunding Bonds with the understanding that, upon delivery of the Refunding Bonds, a municipal bond insurance policy will be issued by Financial Guaranty Insurance Company. Such ratings reflect only the view of S&P and Fitch, and any desired explanation of the significance of such ratings should be obtained from such rating agencies at the following addresses: Standard & Poor's Corporation, 55 Water Street, New York, New York 10041-0003; Fitch Ratings, One State Street Plaza, New York, New York 10004.

Generally a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Refunding Bonds.

### **Underlying Ratings**

The City has obtained underlying ratings on the Refunding Bonds from S&P of "A" and Fitch of "AA-" without taking into account the delivery of any municipal bond insurance policy at the delivery of the Refunding Bonds. Such ratings reflect only the view of S&P and Fitch, and any desired explanation of the significance of such ratings should be obtained from such rating agencies at the following addresses Standard & Poor's Corporation, 55

Water Street, New York, New York 10041-0003; Fitch Ratings, One State Street Plaza, New York, New York 10004.

Generally a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Refunding Bonds.

## **BOND INSURANCE**

Concurrently with the issuance of the Refunding Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Refunding Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal, accreted value or interest (as applicable) on the Refunding Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the City (the "Issuer"). Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Refunding Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Refunding Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Refunding Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Refunding Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Refunding Bonds. The Policy covers failure to pay principal or accreted value (if applicable) of the Refunding Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Refunding Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Refunding Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Issuer is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Refunding Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Refunding Bonds. Reference should be made to the description of the Issuer for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by

the State of New York Insurance Department. As of March 31, 2003, the total capital and surplus of Financial Guaranty was approximately \$1.028 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

## **DEBT SERVICE RESERVE FUND POLICY**

Concurrently with the issuance of the Refunding Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond Debt Service Reserve Fund Policy (the "Reserve Policy"). The Reserve Policy unconditionally guarantees the payment of that portion of the principal or accreted value (as applicable) of and interest on the bonds described therein (as used under this heading, the "Refunding Bonds") which has become due for payment, but shall be unpaid by reason of nonpayment by the Issuer, provided that the aggregate amount paid under the Reserve Policy may not exceed the maximum amount set forth in the Reserve Policy, \$1,259,756.26. Financial Guaranty will make such payments to the paying agent (the "Paying Agent") for the Refunding Bonds on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Paying Agent of the nonpayment of such amount by the Issuer. The term "nonpayment" in respect of a Refunding Bond includes any payment of principal or interest made to an owner of a Refunding Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction.

The Reserve Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Refunding Bonds. The Reserve Policy covers failure to pay principal or accreted value (if applicable) of the Refunding Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Refunding Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Policy shall terminate on the earlier of the scheduled final maturity date of the Refunding Bonds or the date on which no Refunding Bonds are outstanding under the authorizing document.

Generally, in connection with its issuance of a Reserve Policy, Financial Guaranty requires, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Policy, it be granted the power to exercise any remedies available at law or under the authorizing document other than (A) acceleration of the Refunding Bonds or (B) remedies which would adversely affect holders in the event that the issuer fails to reimburse Financial Guaranty for any draws on the Reserve Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its issuance of the Reserve Policy are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the issuer of the Refunding Bonds is required to provide additional or substitute credit enhancement, and related matters.

The Reserve Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of March 31, 2003, the total capital and surplus of Financial Guaranty was approximately \$1.028 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

## CPA VERIFICATION

The accuracy of (i) the mathematical computations of the adequacy of the maturing principal amounts of the Government Obligations, as defined in the Escrow Agreement, to be held in the Trust Account, as defined in the Escrow Agreement, together with certain other available amounts and uninvested cash, and interest income earned on such Government Obligations, to pay (1) the principal of, interest and redemption premium on the 1993 Bonds to and including August 22, 2003 and to redeem on that date all then outstanding 1993 Bonds, and (2) the principal of, interest, and redemption premium on the 1995 Bonds to and including January 1, 2005 and to redeem on that date all then outstanding 1995 Bonds with the exception of the 1995 Bonds maturing on July 1, 2005 and (3) the principal of and interest on the 1995 Bonds maturing July 1, 2005 on their scheduled date of maturity, and (ii) certain mathematical computations supporting the conclusions of Ice Miller, that the Refunding Bonds are not "arbitrage bonds" under the Internal Revenue Code of 1986 will be verified by O. W. Krohn & Associates, LLP.

## STATEMENT OF ISSUER

The information and descriptions of documents included in this Official Statement do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. Prospective purchasers of the Refunding Bonds are referred to the documents for details of all terms and conditions thereof relating to the Refunding Bonds.

Neither this Official Statement, nor any statement which may have been made orally or in writing is to be constructed as a contract with the owners of any of the Refunding Bonds. Any statements in this Official Statement involving matters of opinion whether or not expressly so stated, are intended as such and not as representations of fact.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and are not presented as unqualified statements of fact. The information contained herein has been carefully compiled from sources deemed reliable and to the best knowledge and belief of the City there are no untrue statements nor commissions of material facts in the Official Statement which would make the statements and representations therein misleading.

Certain supplemental information concerning the financial condition of the City which is exhibited hereafter is considered part of this Official Statement.

The presentation for unaudited historical tax and other financial data exhibited elsewhere herein is intended to show recent trends and conditions. There is no intention to represent by such data that such trends will continue in the future, nor that any pending improvement or diminution of local conditions is indicated thereby.

This Official Statement has been authorized and approved by the City of Bloomington, Indiana.

CITY OF BLOOMINGTON, INDIANA

/s/

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John Fernandez, Mayor



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**APPENDIX A**

**GENERAL INFORMATION CITY OF BLOOMINGTON**

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## MUNICIPAL WATER WORKS

### EXISTING FACILITIES

The City of Bloomington Utilities Department is responsible for the production and distribution of drinking water, providing stormwater services, and the collection and treatment of sanitary sewer prior to disposal. Our facilities include the main offices located at 1969 S. Henderson, one water treatment facility (Monroe) and two wastewater treatment facilities (Blucher Poole & Dillman Plant) which serve over 17,000 customers. In addition, the distribution system includes four booster stations, five water storage tanks with a total of 11.8 million gallons of storage and over 300 miles of water distribution piping. The wastewater collection system includes twenty-one lift stations and over 220 miles of sewer lines. The department is governed by the Utilities Service Board which establishes utility policy. Major decisions are also reviewed and approved by the Common Council of the City of Bloomington.

The major goals and objectives of the Water Utility are to provide a safe and adequate supply of treated water at the most economical cost to our customers. Additionally we try to provide this service in the most efficient manner while complying with all Local, State and Federal regulations.

The Utility is broken down into four major divisions: Engineering, Transmission & Distribution, Treatment, and Administration.

The current and projected growth pattern is to expect an additional 400 to 500 new connections each year. The majority of these are expected to be residential type customers.

### UTILITY MANAGEMENT

Management of the Bloomington Municipal Water Works is under the direction of the Mayor, nine elected members of the Common Council, along with the Attorney/Administrator, council assistant an intern, who work closely with the Office of the City Clerk to facilitate the Council in the performance of its duties. The Mayor appoints a nine member Utilities Service Board. The General Manager of Utilities oversees the day-to-day operation of the system. The Water Works currently employs 125 full time and 6 part time personnel for system operation and maintenance.

### RATES AND CHARGES

Rates for the services provided by the Water Works are established by ordinance of the City of Bloomington Common Council upon recommendation of the Utilities Service Board. All rate increases are subject to approval by the Indiana Utility Regulatory Commission. Bills for sanitary and storm water sewerage service are collected monthly with the customer's water bill. The City has the authority to terminate service for the nonpayment of water bills and by the same authority, unpaid sewer bills represent a lien on property served. Current Water Works rates were approved by the Indiana Utility Regulatory Commission on June 7, 2002.

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## USER CONNECTIONS

Based upon information provided by the State Board of Accounts and City personnel, a history of the number of Water Works customers follows:

<u>Year</u>	<u>Customers</u>
1992	18,037
1993	18,594
1994	19,213
1995	19,719
1996	20,223
1997	19,049
1998	21,271
1999	22,294
2000	22,581
2001	22,895
2002	23,071

## LARGE USERS

<u>Customer</u>	<u>2002 Usage (000s Gallons)</u>	<u>2002 Water Charges</u>
Indiana University	758,097	\$ 1,081,461.63
Ellettsville Utilities	313,164	369,459.77
So. Monroe Water Corp.	253,778	298,436.99
Van Buren Water Inc.	141,586	167,933.58
B & B Water Corp.	140,497	163,970.06
East Monroe Water Corp.	122,148	144,250.21
Washington Twp. Water Corp.	94,198	111,200.45
Bloomington Hospital	64,537	106,749.06
Bloomington Country Club	57,032	146,721.17
Baxter Pharmaceutical Solutions, Inc.	37,807	61,357.29

Source: Bloomington Water Utility, numbers are for 2002.

## GENERAL PHYSICAL AND DEMOGRAPHIC INFORMATION

### LOCATION

The City of Bloomington ("City") is located approximately fifty-five miles southwest of Indianapolis. Bloomington, Indiana was founded in 1818, and is the county seat of Monroe County (the "County") government. Bloomington is ninety miles northwest of Louisville, Kentucky, and covers approximately twenty square miles.

## HISTORY OF GENERAL CHARACTERISTICS

The City of Bloomington serves as the center of activity for Monroe County, providing a mix of industries, educational opportunities and pleasant retirement locations. Bloomington's economy is a diverse mixture of manufacturing, commerce, service industries, public employment, tourism and agriculture, with Indiana University as its center. Bloomington's unemployment rate is consistently below the State average. In 2002 Bloomington's average unemployment rate was 4.2%; the State's average unemployment rate was 5.1%.

The proximity of Monroe County to Indianapolis provides many educational, and employment opportunities as well as professional sports and cultural activities.

## GOVERNMENT

The City of Bloomington is governed by a mayor and nine-member common council. The mayor and common council members are elected for four year terms which run from January 1, 2000 through December 31, 2003. Six of the members represent individual districts and three of the members serve the City-at-large. The Council is responsible for passing ordinances, resolutions, orders, and motions for the governing of the city, the control of the city's property and finances, and the appropriation of money.

## POPULATION

According to the U.S. Bureau of Census, the population of the City of Bloomington and Monroe County is reported as follows:

<u>Year</u>	<u>City of Bloomington</u>		<u>Monroe County</u>	
	<u>Population</u>	<u>Percent Increase</u>	<u>Population</u>	<u>Percent Increase</u>
1960	31,357	11.34%	59,225	18.26%
1970	43,262	37.97%	85,221	43.89%
1980	51,646	19.38%	98,387	15.45%
1990	60,633	17.40%	108,978	10.76%
2000	69,291	14.28%	120,563	10.63%

## TRANSPORTATION

The City of Bloomington and Monroe County's principal roadway is State Highway 37, a dual lane north/south highway connecting Bloomington with Indianapolis. Currently, the State of Indiana is proposing to upgrade S.R. 37 from Bloomington to Evansville. Plans are underway for improving Highway 46 between Bloomington and Ellettsville. Other State Highways serving Bloomington are 45, 48 and 446.

The two railroads through Monroe County and CSX and Indiana Railroad. Bloomington has seven trucking terminals with both interstate and intrastate carriers.

The Monroe County Airport is located six miles southwest of Bloomington serving private and corporate air traffic. One hour's drive to the north is Indianapolis International Airport, which provides full commercial air service.

POLICE AND FIRE PROTECTION

The Bloomington Police Department is a full-service police agency, providing police protection to a city of approximately 72,000 residents and a land area of approximately 20 square miles. The department currently has 111 employees, 81 sworn officers and 30 civilian employees. Bloomington Fire Department (BFD) serves the City, Indiana University and surrounding townships to the East and Southeast in Monroe County. BFD has 92 full time firefighters. In addition, the BFD employs six full time and one part time office staff that includes the Fire Chief, Deputy Chief, Training Officer, Fire Prevention Officer, Fire Inspection Officer and 2 Secretaries.

EDUCATION

Two school corporations throughout Monroe County provide public education for school-aged children. Each of the school systems offers a comprehensive academic curriculum and a variety of extra-curricular activities. The following is a listing of the school corporations in Monroe County.

	<u>Number of Schools</u>		
	<u>Elementary</u>	<u>Middle School</u>	<u>High School</u>
Monroe County School Corporation	14	3	3
Richland Bean Blossom School Corporation	2	1	1

Enrollment and employment information are reported by school administrators as follows:

	<u>2002-2003</u>	<u>Certified</u>	<u>Non-</u>
	<u>School Year</u>	<u>Employees</u>	<u>Certified</u>
	<u>Enrollment</u>		<u>Employees</u>
Monroe County School Corporation	10,600	822	892
Richland Bean Blossom School Corporation	2,735	209	190

Other area schools include Bloomington Montessori, Grades Pre-6; Monroe County Christian, Grades K-12; Harmony Schools, Grades 1-12; Grace Baptist Academy, Grades K-8 and St. Charles Catholic, Grades Pre-6.

Indiana University, located in Bloomington, is one of the largest universities in the nation. It was established by the Indiana General Assembly in 1820 and was designated as Indiana University in 1838. The Indiana University system is composed of eight campuses based upon the Bloomington-Indianapolis core campuses with regional campuses serving other areas of the State. The Bloomington Campus is the oldest and largest campus in the Indiana University system and is the primary residential campus. The Bloomington Campus covers approximately 1,900 acres and has a current enrollment of approximately 33,000.

Several colleges and universities are within commuting distance of Bloomington, including the University of Indianapolis, Marian College, Butler University, and DePauw University.



## COMMUNICATION

Local daily newspapers include the Herald-Times and the Indiana Daily Student, published by the Journalism Department at Indiana University. Weekly local newspapers include the Bloomington Independent and the Ellettsville Journal. Major television network coverage is available to all areas of the County along with WTIU (Channel 30 or 5) Public Broadcasting System; BCAT (Channel 3 and 29) Bloomington Community Access Television, Department of the Monroe County Public Library. Local radio stations include WGCL-AM 1370 and six FM stations.

## UTILITIES

The City of Bloomington Utilities is a municipally owned water, wastewater and storm water utility under the guidance of the seven member Utility Service Board, which is appointed by the Mayor and City Council. The local electric utility is Cinergy. Natural gas service is provided by Vectren Energy.

## RECREATION/CULTURAL ACTIVITIES/LIBRARY

The Monroe County Public Library offers a wide range of library service for residents throughout the County.

The City of Bloomington operates five public parks. Amenities include a public swimming pool, picnic areas, softball fields, volleyball courts, playgrounds and nature trails. Recreational opportunities are minutes away from downtown Bloomington at three waterways. Lake Monroe's 10,750 acres extend into three counties and is partially surrounded by the 78,000 acre Hoosier National forest. Skiing, swimming, boating and fishing are allowed in most areas. To the north of the City are smaller lakes including Griffin Lake and Lake Lemon. Activities include boating, fishing and nature preserves.

Activities on the Indiana University campus include Big Ten sporting events, nationally known musical performances and museum/gallery events. The proximity of Monroe County to Indianapolis offers residents many leisure time activities including professional sports, museums, the Indianapolis Zoo, along with a wide range of cultural attractions such as art, theater and symphony productions.

## MEDICAL FACILITIES

Bloomington Hospital serves nine counties and is the largest health care resource for residents of South Central Indiana. This 235 bed regional referral center is staffed by a team of more that 2,300 dedicated employees, physicians and volunteers.

Southern Indiana surgery Center is a state-accredited ambulatory-surgery center that complements activities at Bloomington Hospital. The center has seven surgical specialties including podiatry and orthopedics, gynecology, urology and ophthalmology.

The greater Bloomington area has over 250 licensed physicians encompassing over 35 specialties; and is home to over 80 dentists, over 500 nursing home beds, and more than one dozen medical clinics and nursing care facilities.

GENERAL ECONOMIC AND FINANCIAL INFORMATION

FINANCIAL INSTITUTIONS

The following is a listing of the financial institutions serving the City of Bloomington. Total deposits are reported by the FDIC Summary of Deposits as of June 30, 2002.

	<u>Number of Locations in City of Bloomington</u>	<u>Deposits (\$000) For 6/30/2002</u>
Monroe Bank	11	\$ 322,708
Bank One, Indiana, National Association	6	225,268
Old National Bank	5	165,579
The Peoples State Bank	6	108,689
Irwin Union Bank and Trust Company	1	90,378
United Commerce Bank	1	77,530
Union Planters Bank, National Association	5	63,796
Fifth Third Bank, Indiana	2	37,638
Bloomfield State Bank	2	22,763
Farmers and Mechanics Federal Savings and Loan	1	11,601
Key Bank National Association	1	5,770

LARGE EMPLOYERS

Major Bloomington employers are listed below. Employment has been reported according to company personnel.

<u>Name</u>	<u>Product</u>	<u>Reported Employment*</u>
Indiana University	Education	6,987
General Electric	Manufacturer Refrigerators	3,000
Bloomington Hospital	Health Care	2,300
Monroe County Schools	Area School Corporation	1,557
Cook, Inc.	Medical Instruments	1,400
Marsh	Grocery	800
Otis Elevator	Elevators, Escalators	750
Inter Art Distribution	Greeting Cards/Gifts	650
City of Bloomington	Government	645
Tree of Life	Health Food	550

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## EMPLOYMENT

<u>Year</u>	<u>Unemployment Rate</u>	
	<u>City of Bloomington</u>	<u>State of Indiana</u>
1993	3.8%	5.4%
1994	4.0%	4.9%
1995	3.4%	4.7%
1996	2.7%	4.1%
1997	2.4%	3.5%
1998	2.6%	3.1%
1999	2.3%	3.0%
2000	2.0%	3.2%
2001	3.1%	4.4%
2002	4.2%	5.1%

## ECONOMIC CHARACTERISTICS

### Area Industry

A seven county workforce of over 141,000 supplies the Bloomington area industry. Over 5,000 workers commute to Bloomington from surrounding counties and an additional 9,270 people work in manufacturing throughout Monroe County. At least 10 industrial employers in the Bloomington area maintain a payroll in excess of 100 workers. Major industrial employers include General Electric Company, manufacturing refrigerators; Cook, Inc. manufacturer of medical Instruments; and Otis Elevator Co., manufacturing elevators and escalators. Although General Electric has reduced its workforce by approximately one-half and Bloomington has experienced some effects of the state and national recession, there has been a relatively small impact on the total number of jobs available in the area. With increased investment in the City's technical infrastructure including the nearly completed Bloomington Digital Underground, the City is well positioned to compete for additional technology related jobs.

The Bloomington area is also one of the world's leading suppliers of limestone. Bloomington area companies quarry, cut and carve limestone for residential, commercial and governmental consumers.

The principal non-manufacturing employers in Bloomington include Bloomington Hospital, Marsh grocer, Monroe County Schools and the City and County governments. Indiana University, with almost 7,000 full-time employees, is by far Bloomington's largest employer.

The Crane Naval Weapons Center provides additional employment to the Bloomington area. This United States government installation is located within an hours' drive south of the City of Greene and Martin counties. It employs 4,016 civilian personnel. The Crane Naval Weapons Center is not on the list of military bases to be closed.

## ECONOMIC CHARACTERISTICS (continued)

### Commerce & Retail

Bloomington is a regional center for commerce and retail. The City serves a four county economic and trade area of approximately 162,900 people. Four banks, two savings and loan associations, and two credit unions are headquartered in Bloomington. Over 150 retail and service shops and 150 restaurants offer a remarkable wide variety of shopping and dining. In addition, the College Mall has over 100 stores. Nearly 2,000 hotel or motel rooms are available for visitors.

Bloomington retail activity receives a boost from Indiana University's 33,000 students who add an estimated \$30 million annually to the economy. Another contributing factor is convention and tourism which adds an estimated \$48 million annually. This figure is expected to increase with the recent completion of the Monroe County/Bloomington Convention Center, which has 23,000 square feet of meeting space.

### Downtown Area Revitalization

Through a concerted effort between the public and private sectors, downtown Bloomington has experienced a rebirth over the last several years. Over \$57 million in public and private money has been invested in the downtown area. At least 53 new businesses have opened, bringing 290 new jobs. Many businesses, including the Greater Bloomington Chamber of Commerce, have relocated to downtown.

Bloomington is especially proud of its area revitalization projects. The \$2.5 million Monroe County/Bloomington Convention Center was dedicated in October 1991. The project was a joint venture between Monroe County the City of Bloomington and the private sector. Since its dedication, the Convention Center averages 1,500 events per year. In 1996, Courtyard by Marriott opened a motel with 117 rooms next to the Convention Center to further satisfy the needs of our incoming tourists. Other projects include a commercial retail and office center, two parking lots, the new Justice Building, new condominiums and the restoration of the Court House. In 2001, Patterson Drive was completed to provide access from the Westside to the southside of the city. A \$5.6 million construction project on College Mall Road is substantially completed. This project will widen College Mall Road to two lanes in each direction with turn lanes. A public-private partnership between the City of Bloomington and the Winger Stolberg Group, financed and constructed the Walnut Center parking garage downtown. The parking facility contains 385 metered and leases spaces. In addition, the Walnut Center contains nearly 9,000 square feet of retail space and 6,000 square feet for a telecom co-location facility.

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BUILDING PERMITS

Year	Residential		Non-Residential		Total Value
	Value	# Permits	Value	# Permits	
2001	21,260,600	211	94,835,100	13	116,095,700
2000	19,219,900	271	92,155,940	15	111,375,840
1999	35,566,989	277	20,360,834	40	55,927,823
1998	17,086,800	155	40,624,300	60	57,711,100
1997	18,354,800	221	11,092,000	40	29,446,800

Source: Building Permits for the City of Bloomington provided by City Planning Department.

INCOME AND HOUSING DATA

(1)	City of Bloomington	Monroe County
Per Capita Income in 2000	\$16,481	\$18,534
Median Family Income in 2000	\$50,054	\$51,058
Housing Units Owner Occupied in 2000	26,468	46,898

(1) Data from 2000 Census.

HISTORY OF NET ASSESSED VALUATION

YEAR PAYABLE	REAL ESTATE	PERSONAL PROPERTY	TOTAL
1993	\$ 244,556,886	\$ 55,213,506	\$ 299,770,392
1994	262,278,820	55,512,994	317,791,814
1995	279,881,185	57,536,583	337,417,768
1996	325,262,582	64,642,776	389,905,358
1997	355,998,890	69,518,253	425,517,143
1998	368,815,401	72,681,012	441,496,413
1999	381,380,840	73,647,381	455,028,221
2000	392,198,509	77,198,865	469,397,374
2001	411,458,608	79,997,847	491,456,455
2002	419,030,760	84,569,723	503,600,484

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HISTORY OF PROPERTY TAXES ASSESSED AND COLLECTED

<u>Year Collected</u>	<u>Taxes Collected</u>	<u>Total Amount Assessed</u>	<u>Percent Collected</u>
1992	\$ 9,942,277	\$ 9,910,014	100.33%
1993	10,837,450	10,893,378	99.49%
1994	12,555,506	12,188,218	103.01%
1995	13,625,554	13,535,927	100.66%
1996	14,783,570	14,666,632	100.80%
1997	16,128,095	15,943,365	101.16%
1998	16,791,299	16,933,658	99.16%
1999	17,552,922	17,436,672	100.67%
2000	18,104,523	17,946,390	100.88%
2001	18,462,872	18,537,756	99.60%

Note: All property tax collections in excess of 102% of the state approved levy are transferred to a "Levy Excess Fund" and are used either to reduce tax levies in subsequent years or to reimburse any fund for property taxes withheld due to refunds awarded.

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**LARGE TAXPAYERS**

The following is a list of the large taxpayers located within the City of Bloomington as reported by the Monroe County Auditor's office.

<u>Name</u>	<u>Type of Business</u>	<u>2001 Assessed Valuation (A)</u>	<u>Percent of City's Assessed Value (B)</u>
RegencyManagement	Rental Properties	\$7,033,370	1.43%
CFC, Inc.	Rental Properties	5,438,900	1.11%
Whitehall Crossing	Retail	5,165,550	1.05%
Woodbridge	Real Estate	5,018,310	1.02%
Indiana Bell/Ameritech	Utility	4,634,540	.94%
PSI/Cinergy	Utility	4,319,670	.88%
Simon Property	Retail	4,208,070	.86%
Rogers Group	Construction	3,501,930	.71%
Indiana Gas	Utility	2,999,700	.61%
Regency Steeplechase	Rental Properties	2,800,220	.57%
Totals		<u>\$45,120,260</u>	<u>9.18%</u>

**PAYMENT IN LIEU OF ANNEXATION AGREEMENT (C)**

<u>Name</u>	<u>Type of Business</u>	<u>2001 Assessed Valuation</u>	<u>Agreement Expires</u>
General Electric	Refrigerators	\$18,165,900	2012
Miscellaneous Businesses (D)		11,199,860	2012
Otis Elevator	Elevators, escalators	9,572,920	2012
Cook, Inc.	Specialized medical instru.	4,337,620	2012
Asea Brown Boveri (Westinghouse)	Electrical components	2,352,490	2012
PYA/Monarch	Food distribution	1,558,840	2012
Totals		<u>\$47,187,630</u>	

- (A) Source: Bloomington 2001 CAFR; represents assessment on March 1 of previous year for taxes due and payable in year shown.
- (B) The Assessed Valuation for the City of Bloomington on March 1 of 2000 for taxes due and payable in 2001 is \$491,456,455.
- (C) The City of Bloomington has negotiated an "In Lieu of Annexation Agreement," pursuant to Indiana Statute, with a number of local industries and businesses which lie outside the City corporate limits. The City provides services to the industries for a specified payment, and will forego annexation during the period of agreement. Payments are negotiated to approximate a percentage of City property taxes.
- (D) Seven additional parties to the "In Lieu Annexation Agreement" were scheduled to begin payments in 1994.

CITY OF BLOOMINGTON

10 YEAR HISTORY OF PROPERTY TAX RATE COMPONENTS

		State	County	Solid Waste	Township	School	Library	City	Transportation	Total Rate
									(2)	
2002	(1)	\$ 0.0033	\$ 0.5385	\$ 0.0366	\$ 0.0351	\$ 1.5726	\$ 0.1645	\$ 1.2087	\$ 0.0502	\$ 3.6095
2001		0.0100	1.6087	0.0878	0.1026	4.6495	0.4967	3.6472	0.1492	10.7517
2000		0.0100	2.0569	0.0871	0.1011	4.7216	0.5181	3.7233	0.1531	11.3712
1999		0.0100	2.0651	0.0846	0.0999	4.5996	0.5070	3.5737	0.1508	11.0907
1998		0.0100	2.0268	0.0891	0.0965	4.4520	0.5213	3.5960	0.1806	10.9723
1997		0.0100	2.0303	0.0937	0.0965	4.3963	0.5192	3.6029	0.1752	10.9241
1996		0.0100	1.9997	0.0963	0.0925	4.2369	0.4462	3.5976	0.1790	10.6582
1995		0.0100	1.9189	0.1087	0.0953	4.6005	0.4190	3.8049	0.1948	11.1521
1994		0.0100	2.0335	0.1072	0.0921	4.6183	0.3439	3.6291	0.1938	11.0279
1993		0.0100	1.7006	0.1091	0.0885	4.4675	0.3142	3.4457	0.1812	10.3168

- (1) In, pay 2002, tax rates were based upon True Tax Value (3 x Net Assessed Value). In prior years shown above, tax rates were based on Net Assessed Value.
- (2) The Transportation tax rate was assessed as a separate taxing unit in 2000-2002. In 1999 and prior, this rate was included as a component of the City's corporate rate. For comparison purposes, we have deducted the Transportation rate from the City and shown separately in 1993-1999.



PENSION LIABILITIES

Employees of the City of Bloomington have pensions funded under the Public Employee's Retirement Fund (PERF) of the State of Indiana. Provided below is a statement of accrued surplus as reported by PERF computed on the basis of amortized cost. The employer contribution for the twelve months ended December 31, 2001 were \$ 1,081,432.

	Accrued Surplus <u>6/30/2001</u>	2001 Employer Percentage of <u>Contribution</u>
City of Bloomington	\$ 472,391	3.5 %

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**SCHEDULE OF BONDED INDEBTEDNESS**

The following schedule shows the outstanding bonded indebtedness of December 31, 2002, as reported by the respective taxing units.

<u>Issuer</u>	<u>Total Debt</u>	<u>Percent Allocable to Bloomington</u>	<u>Amount Allocable to Bloomington</u>
<b><u>Revenue Supported Debt/Property Tax Secured:</u></b>			
City of Bloomington , Park District	\$ 2,460,000 <sup>(1)</sup>	100%	<u>\$ 2,460,000</u>
<b><u>Revenue Supported Debt:</u></b>			
City of Bloomington	\$68,187,000 <sup>(2)</sup>	100%	<u>\$68,007,000</u>
<b><u>Property Tax Supported Debt:</u></b>			
City of Bloomington	\$ 13,565,000 <sup>(3)</sup>	100%	\$ 13,565,000
Bloomington Municipal Facilities Corp.	2,440,000 <sup>(4)</sup>	100%	2,440,000
Monroe County Community School Corp.	69,200,351 <sup>(5)</sup>	59.73%	41,333,370
Richland-Bean Blossom Comm. School Corp.	34,630,000 <sup>(6)</sup>	5.32%	1,842,316
Monroe County	2,260,428 <sup>(7)</sup>	51.16%	1,156,435
Monroe County Public Library	15,755,000 <sup>(8)</sup>	51.16%	<u>8,060,258</u>
Total Property Tax Supported Debt			<u>\$ 68,397,379</u>
<b><u>Tax Increment Financing/Property Tax Supported Debt:</u></b>			
City of Bloomington	\$ 2,365,000 <sup>(9)</sup>	100%	\$ 2,365,000
Bloomington Municipal Facilities Corp.	2,330,000 <sup>(10)</sup>	100%	2,330,000
Monroe County	2,752,337 <sup>(11)</sup>	51.16%	<u>1,408,096</u>
Total Tax Increment Financing Property Tax Supported Debt			<u>\$ 6,103,096</u>
<b><u>Income-Tax Supported Debt:</u></b>			
Bloomington Municipal Facilities Corp.	\$ 19,390,000 <sup>(12)</sup>	100%	<u>\$ 19,390,000</u>
<b><u>Hotel/Inkeepers Tax</u></b>			
Monroe County Convention Center Building Corporation	\$ 2,170,000 <sup>(13)</sup>	51.16%	<u>\$ 1,110,172</u>

\*Percent allocable to the City of Bloomington is based upon 2001 payable 2002 net assessed valuation of the overlapping taxing units.

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NOTES TO BONDED INDEBTEDNESS

(1) Park District Bonds of 1999	\$ 2,460,000
Total	<u>\$ 2,460,000</u>
(2) Sewage Works Revenue Bonds of 1999	\$ 7,895,000
Sewage Works Revenue Bonds of 2000 (Series A, B & C)	15,734,000
Water Utility Revenue Bonds of 2000	10,848,000
Waterworks Revenue Bonds of 2003, Series A	4,215,000
Sewage Works Refunding Revenue Bonds of 2003	19,095,000
Proposed Waterworks Refunding Revenue Bonds of 2003	<u>10,220,000</u>
Total	<u>\$ 68,007,000</u>
Note: The City plans to issue an additional \$7,885,000 waterworks revenue Bonds through the State Revolving Loan Fund in 2003.	
(3) 1998 Street General Obligation Bonds	\$ 7,365,000
2001 Park District General Obligation Bonds	<u>6,200,000</u>
Total	<u>\$ 13,565,000</u>
(4) Lease Rental Bonds of 1992 (Series A & B)	\$ 1,090,000
First Mortgage Bonds of 1997	<u>1,350,000</u>
Total	<u>\$ 2,440,000</u>
(5) 2002 MCCSC School Building Corporation Refunding Bonds	\$ 13,035,351
2001 MCCSC School Corporation General Obligation Bonds	1,800,000
1998 MCCSC School Building Corporation Refunding Bonds	6,785,000
1996 MCCSC School Building Corporation, Series 1996	37,580,000
1996 MCCSC School Building Corporation, Series 1997	<u>10,000,000</u>
Total	<u>\$ 69,200,351</u>
(6) 2001 Richland-Bean Blossom School Building Corporation First Mortgage Bonds	\$ 27,425,000
1986 Edgewood High School Building Corporation Refunding Bonds	5,205,000
Temporary Loan	<u>2,000,000</u>
Total	<u>\$ 34,630,000</u>
(7) Monroe County Jail Building Corporation Bonds	\$ 1,114,136
Monroe County 911 Equipment Bonds	963,043
Various Equipment Lease Purchase Debt	<u>183,249</u>
Total	<u>\$ 2,260,428</u>
(8) Monroe County Public Library Building Corporation Bonds, Series 2002	<u>\$ 15,755,000</u>
(9) Redevelopment District Bonds of 2000	<u>\$ 2,365,000</u>
(10) Lease Rental Bonds of 1991	\$ 675,000
Lease Rental Bonds of 2000	<u>1,655,000</u>
Total	<u>\$ 2,330,000</u>

NOTES TO BONDED INDEBTEDNESS (CONTINUED)

( <sup>11</sup> ) 1995 Economic Development Lease Rental Bonds	<u>\$ 2,752,337</u>
( <sup>12</sup> ) Lease Rental Refunding Bonds of 1998	\$ 7,990,000
Economic Development Lease Rental Bonds of 1998	<u>11,400,000</u>
Total	<u>\$ 19,390,000</u>
( <sup>13</sup> ) First Mortgage Bonds of 1993, Series A	<u>\$ 2,170,000</u>

DEBT RATIOS

The following table shows the ratios relative to the property tax supported indebtedness of the City of Bloomington and the taxing units overlapping its jurisdiction as of December 31, 2002:

	Direct Revenue Supported/Property Tax Secured Debt \$ 2,460,000	Direct Property Tax-Supported Debt \$ 16,005,000	Allocable Portion Of All Other Tax-Supported Debt \$ 52,392,379	Total Direct and Overlapping Tax Supported And Tax Secured Debt \$ 70,857,379
Per Capita <sup>(1)</sup>	\$ 35.50	\$ 230.98	\$ 756.12	\$ 1,022.60
Percent of net assessed valuation <sup>(2)</sup>	.49%	3.18%	10.40%	14.07%
Percent of True Tax Value <sup>(3)</sup>	.16%	1.06%	3.47%	4.69%

(1) Based upon 2000 U.S. Census Bureau data, the population of the City of Bloomington is 69,291.

(2) The net assessed valuation of the City of Bloomington for taxes payable in 2002 is \$503,600,484 according to the Monroe County Auditor's office.

(3) Based upon true tax value of \$1,510,801,452, which represents three times the net assessed value.

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This Official Statement has been authorized and approved by the City of Bloomington, Indiana.

CITY OF BLOOMINGTON, INDIANA

*/s/* \_\_\_\_\_  
John Fernandez, Mayor

CITY OF BLOOMINGTON, INDIANA  
UTILITIES SERVICE BOARD

*/s/* \_\_\_\_\_  
L. Thomas Swafford, President

ATTEST:

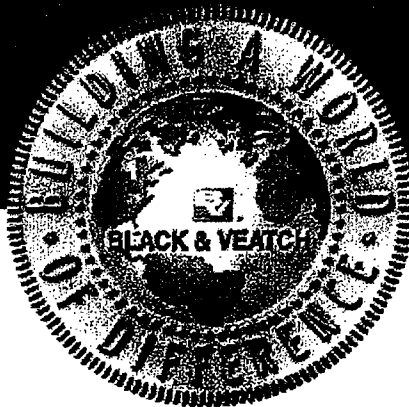
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**APPENDIX B**

**RATE CONSULTANT'S REPORT**

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**Report On**  
**Revenue Requirements for Water**  
**Service**

**Prepared for**  
**City of Bloomington Utilities**  
**Bloomington, Indiana**

**July 2003**



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**Report on  
Revenue Requirements  
for  
Water Service  
July 14, 2003**

**Introduction**

**Purpose**

The purpose of this report is to present the findings of our study of the financing needs of the City of Bloomington, Indiana Water Utility (the "Water Utility"). The study developed projections of operating and capital financing costs of the Water Utility for a five-year planning period ending December 31, 2007.

**Scope**

The report presents the study of revenue requirements for water service. The revenue requirement study takes into consideration future revenues under existing rates, operation and maintenance expense, principal and interest expense on bonded debt, and capital improvement requirements. Annual projections of customers, water use, revenues, and expenditures have been made for the years ended December 31, 2003 through 2007.

The Water Utility's water rates are subject to approval by the Indiana Utility Regulatory Commission ("IURC"). Assuming that the proposed rates are approved by the City Council, a detailed rate case application will be developed based on financial data for a recent twelve-month period. The overall level of the rate increase eventually approved by the IURC may differ from that proposed by this report. The rate case application will include the results of a cost of service study that will be used to develop the recommended rates.

**General Background**

The City of Bloomington operates and maintains the Water Utility as a self-supporting enterprise. The Water Utility provides services to approximately 22,800 customers including residential, commercial, industrial, and fire protection accounts. In addition, the utility provides water through contractual agreements with 20 communities and water districts.

The Utility's water rates are developed to provide sufficient levels of revenue to meet all operation and maintenance expenses of the system, payment-in-lieu-of-taxes, debt service requirements, routine annual extensions and replacements of capital improvements to be funded from current revenues, and other specific bond ordinance and revenue requirements.

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Water rates are developed for retail and wholesale customers by determining the total costs of service and service requirements.

### **Fiscal Year**

Unless otherwise noted, references in this report to a specific\_year are for the City's fiscal year ending December 31.

## Summary of Findings and Recommendations

1. The total average number of water customers is projected to increase by about 1.0 percent annually from about 23,091 customers in 2003 to about 23,975 customers in 2007.
2. Total water sales are projected to increase from about 4,419,600 thousand gallons in 2003 to about 4,518,500 thousand gallons in 2007.
3. Water sales revenues under existing rates are projected to be \$8,924,600 in 2003 and increase to \$9,160,600 in 2007.
4. Miscellaneous operating revenues are projected to be \$102,400 in 2003 and increases to \$130,100 at the end of the study period. Non-operating revenues are projected to remain constant at the 2003 level of \$163,500.
5. Excluding power costs, it is assumed that operation and maintenance expense will increase at an annual rate of about 4.0 percent over 2002 expense levels. Power costs are anticipated to increase 14 percent in 2004 and 5 percent for all other years. Operation and maintenance expense is projected to increase from \$5,997,900 in 2003 to \$7,255,500 in 2007.
6. The major capital improvement program for the period 2003 through 2007 includes \$7,818,000 for the Monroe Water Treatment Plant and \$20,000,000 for distribution system improvements.
7. It is anticipated that funding for the major improvement program will be through the use of State Revolving Fund ("SRF") bonds.
8. In order to finance the Water Utility's proposed capital improvements program, the following rate increases are projected in order to satisfy the Water Utility's revenue requirements.

<u>Effective Date</u>	<u>Inflation Increases</u>	<u>Capital Additions</u>	<u>Total % Increase</u>
April 1, 2004	6	9	15
April 1, 2006	6	10	16

10. The Water Utility's water rates are subject to approval by the IURC. The overall level of the rate increase approved by the IURC may differ from those proposed by this report. The rate case application will include the results of a cost of service study that will be used to develop the recommended rates.

## Revenue

The majority of the Water Utility's revenue is derived from rates and charges for water service. A summary of the City's current water rates, which were approved May 15, 2002 is presented in Table 1. Projections of future water sales revenue are based on analyses of historical trends for customer growth, average water use per customer adjusted to reflect normal climatic conditions and current usage patterns, average revenues billed per unit volume of water sold, and service charges which vary by meter size. The projections incorporate anticipated additional water sales from customer growth. Other income sources of the Water Utility include revenues from private fire protection, forfeited discounts, delinquent reconnect fees, hook-on fees, turn-on fees, revenue from contract work, and other miscellaneous fees.

**Table 1**  
**Schedule of Existing Rates and Charges**

**Service Charge**

Meter Size	Inside City			Outside City		
	Service Charge	Fire Protection	Total	Service Charge	Fire Protection	Total
¾	\$3.01	\$1.00	\$4.01	\$3.01	\$1.67	\$4.68
¾	\$4.01	\$1.50	\$5.51	\$4.01	\$2.51	\$6.52
1	\$5.40	\$2.49	\$7.89	\$5.40	\$4.19	\$9.59
1½	\$9.38	\$4.99	\$14.37	\$9.38	\$8.37	\$17.75
2	\$13.36	\$7.98	\$21.34	\$13.36	\$13.40	\$26.76
3	\$30.87	\$17.45	\$48.32	\$30.87	\$29.31	\$60.18
4	\$50.77	\$29.92	\$80.69	\$50.77	\$50.24	\$101.01
6	\$100.52	\$62.34	\$162.86	\$100.52	\$104.68	\$205.20
8	\$150.27	\$89.77	\$240.04	\$150.27	\$150.73	\$301.00
10	\$200.01	\$144.63	\$344.64	\$200.01	\$242.85	\$442.86

**Commodity Charges - \$/1,000 gallons**

Residential	\$1.91
Commerical	\$1.61
Industrial	\$1.49
IU - Master Meters	\$1.20
IU - All Others	\$1.61
Outside Sales	\$1.22
Irrigation	\$2.76

**Private Fire Protection**

Connection Size	Rate Per Annum
≤ 4 inches	\$60.34
6 inches	\$167.61
8 inches	\$343.60
10 inches	\$601.72
12 inches	\$948.67

IU Fire Protection - \$915/month

## Customer Growth

Table 2 summarizes the number of Water Utility customers by customer class during the years 1997 through 2002 and the projected number of customers for the years 2003

through 2007. Customer growth projections are based on an examination of recent trends in the number of customers added to the system. During the last two years the Utility has experienced a slower rate of growth than in previous years.

The total average number of customers is conservatively projected to increase by about 1.0 percent annually. Overall, the average number of customers is projected to increase from about 23,091 customers in 2003 to about 23,975 customers in 2007.

**Table 2**  
**Historical and Projected Number of Customers<sup>(a)</sup>**

Customer Class	Historical					Projected					
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Residential	16,632	17,947	19,092	19,679	19,999	20,200	20,400	20,600	20,800	21,000	21,200
Commercial	2,352	1,959	2,380	2,604	2,606	2,600	2,620	2,640	2,660	2,680	2,700
Industrial	5	7	15	20	19	19	20	21	22	23	24
Indiana University	166	155	37	2	2	2	2	2	2	2	2
Wholesale	21	21	22	22	22	22	22	22	22	22	22
Irrigation	0	0	0	0	0	27	27	27	27	27	27
Total	19,175	20,088	21,545	22,326	22,648	22,870	23,091	23,312	23,533	23,754	23,975

(a) Average number of active meters during the year.

## Water Usage

Historical and projected water sales volumes are shown in Table 3. Water sales during the period from 1997 through 2002 have ranged from a low of 4,229 million gallons (Mgal) to a high of 4,869 Mgal. Fluctuations in annual water sales are principally due to weather and economic conditions.

**Table 3**  
**Historical and Projected Water Consumption**

Customer Class	Historical					Projected					
	1997 1,000 gal	1998 1,000 gal	1999 1,000 gal	2000 1,000 gal	2001 1,000 gal	2002 1,000 gal	2003 1,000 gal	2004 1,000 gal	2005 1,000 gal	2006 1,000 gal	2007 1,000 gal
Residential	1,587.171	1,692.179	1,842.808	1,615.173	1,657.891	1,828.300	1,664.600	1,681.000	1,697.300	1,713.600	1,729.900
Commercial	1,175.630	872.289	1,479.796	1,263.031	1,084.642	1,036.700	786.000	792.000	798.000	804.000	810.000
Industrial	97.635	107.088	77.388	72.987	60.407	46.000	48.000	50.400	52.800	55.200	57.600
Indiana University	726.747	700.462	416.446	319.972	410.415	406.700	354.000	354.000	354.000	354.000	354.000
Wholesale	1,107.665	1,047.585	1,052.676	1,023.350	1,015.390	1,088.300	1,452.000	1,452.000	1,452.000	1,452.000	1,452.000
Irrigation	0	0	0	0	0	114.700	115.000	115.000	115.000	115.000	115.000
Total	4,694.848	4,419.603	4,869.114	4,294.513	4,228.745	4,520.700	4,419.600	4,444.400	4,469.100	4,493.800	4,518.500

Water sales for the study period are projected to increase at the same rate as customer growth. This level was established based on historical trends in water sales volume, projected customer growth, and normal annual usage. Total water sales are projected to increase from about 4,420 Mgal in 2003 to 4,519 Mgal in 2007.

## Water Sales Revenues under Existing Rates

Estimates of revenues from water sales are based on projections of customer growth and water use. The estimates are obtained by applying the service charge and commodity charges for



each customer class to the projected number of customers and water sales. As shown in Table 4, water revenues under existing rates, excluding forfeited discounts, and private/public fire protection, are projected to be \$8,247,300 in 2003 and increase to \$8,473,100 in 2007.

**Table 4**  
**Historical and Projected Water Service Revenue**

Customer Class	Historical					Projected					
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Residential	3,020,615	3,535,351	3,804,770	3,868,007	4,063,225	3,881,900	4,228,100	4,269,700	4,311,100	4,352,500	4,393,900
Commercial <sup>(a)</sup>	1,809,798	1,391,560	2,185,788	2,071,105	1,774,566	1,130,800	1,501,300	1,512,700	1,524,200	1,535,600	1,547,100
Industrial	126,914	126,497	103,337	103,178	88,527	51,700	71,000	74,600	78,100	81,700	85,200
Indiana University <sup>(b)</sup>	864,630	827,368	453,421	340,487	440,385	401,200	414,200	414,200	414,200	414,200	414,200
Wholesale	855,143	928,292	1,038,908	1,070,055	1,080,779	1,650,100	1,727,900	1,727,900	1,727,900	1,727,900	1,727,900
Irrigation	0	0	0	0	0	247,700	304,800	304,800	304,800	304,800	304,800
<b>Total</b>	<b>6,677,100</b>	<b>6,809,067</b>	<b>7,586,224</b>	<b>7,452,832</b>	<b>7,447,483</b>	<b>7,363,400</b>	<b>8,247,300</b>	<b>8,303,900</b>	<b>8,360,300</b>	<b>8,416,700</b>	<b>8,473,100</b>

(a) Beginning in 1999, includes non-master metered Indiana University accounts.  
(b) Beginning in 1999, excludes non-master metered Indiana University accounts.

## Other Revenue

Historical and projected other operating and non-operating revenues are shown in Tables 5 and 6, respectively. Other operating revenues include delinquent reconnect fees, hook-on fees, turn-on fees, and other miscellaneous fees. Other operating revenues are projected to total \$102,400 in 2003, and increase to \$130,100 by 2007. Non-operating revenues are primarily derived from revenues from contract work and other miscellaneous revenues. Non-operating revenues are projected to be \$163,500 in 2003 and then remain at this level through 2007.

**Table 5**  
**Historical and Projected Other Operating Revenue**

Year	Delinquent	Hook-On	Turn-On	Other	Total
	Reconnect			Miscellaneous	
	Fees	Fees	Fees	Fees	
	\$	\$	\$	\$	\$
Historical					
1997	8,675	114,361	26,460	9,322	158,818
1998	8,704	97,594	28,568	16,694	151,560
1999	8,367	106,249	26,752	64,859	206,227
2000	2,546	105,917	25,475	25,000	158,938
2001	3,397	141,308	33,987	26,340	205,033
Projected					
2002	3,440	69,578	11,574	11,979	96,571
2003	3,600	74,400	12,400	12,000	102,400
2004	3,700	79,600	13,300	12,000	108,600
2005	3,800	85,200	14,200	12,000	115,200
2006	4,000	91,200	15,200	12,000	122,400
2007	4,200	97,600	16,300	12,000	130,100

**Table 6**  
**Historical and Projected Other Non-Operating Revenue**

Year	Revenue from Contract Work	Lake Lemon	Other Non-Utility Revenue	Gain/Loss on Property Disposition	GIS	Other Miscellaneous Revenues	Total
	\$	\$	\$	\$	\$	\$	\$
Historical							
1997	94,996	2,329	5,970	19,537	1,368	0	124,200
1998	93,824	2,334	19,546	1,217	843	0	117,764
1999	127,685	200	4,592	5,059	300	0	137,836
2000	169,761	500	23,760	17,860	461	0	212,342
2001	155,897	0	42,677	12,091	0	0	210,666
Projected							
2002	97,427	0	32,109	33,956	0	0	163,492
2003	97,400	0	32,100	34,000	0	0	163,500
2004	97,400	0	32,100	34,000	0	0	163,500
2005	97,400	0	32,100	34,000	0	0	163,500
2006	97,400	0	32,100	34,000	0	0	163,500
2007	97,400	0	32,100	34,000	0	0	163,500

The revenues shown in Tables 5 and 6 do not include earnings from the investment of available cash balances. Interest earnings are considered in a subsequent section of this report.

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## **Revenue Requirements**

Revenues required to provide for the continued operation of the Water Utility must be sufficient to meet the cash requirements for operation and maintenance expense, payment-in-lieu-of-taxes, principal and interest payments on bonded debt, routine annual extensions and replacements, and other major capital expenditures not debt financed. In addition, revenues must be adequate to meet applicable rate covenants included in the City's ordinances authorizing the outstanding revenue bonds. The revenue requirements developed in this report reflect the financial conditions as of December 31, 2002, and are projected for the five-year period ending December 31, 2007.

### **Operation and Maintenance Expense**

The operation and maintenance expenses of the Water Utility include the cost of operating and maintaining the water supply, treatment, and transmission and distribution facilities. Expenses also include costs incurred in meter reading, issuing and collecting bills, providing engineering services, and the general administration of the Water Utility and applicable taxes. Because these costs are a continuing normal obligation of the utility, they are met from operating revenue as they are incurred.

Historical and projected operation and maintenance expense is summarized in Table 7. Operation and maintenance expense has increased from \$4,654,942 in 1997 to \$5,499,909 in 2002, an average annual increase of about 3.3 percent per year. The projected 2003 operation and maintenance expense of \$5,627,700 is based on the Water Utility's budget for 2003. For the purpose of this study, it is assumed that all miscellaneous operation and maintenance expenses will increase at an annual rate of about 3.0 percent over the 2003 budget levels. Benefits are anticipated to follow recent trends and increase at a rate of 10 percent per annum. Power costs for 2004 are known to be increasing by 14 percent; thereafter, increases are projected to be 5 percent annually. Operation and maintenance expense is projected to increase from \$5,997,900 in 2003 to \$7,255,500 in 2007.

### **Major Capital Improvement Program**

The Water Utility's capital improvement program provides for the replacement of worn out or unserviceable facilities, to provide new facilities for improved service to existing customers, and to provide a reliable water transmission system. In conjunction with Black & Veatch, the Water Utility staff has developed a major capital improvement program for the period 2003 through 2007 which is summarized in Table 8. The major capital improvement program for includes \$7,818,000 for the Monroe Water Treatment Plant and \$20,000,000 for distribution system improvements.

**Table 7  
Historical and Projected O&M Expense**

Description	Historical						Budget	Projected			
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Source of Supply</b>											
Operation Supervision	50,058	55,871	61,647	64,977	25,858	0	0	0	0	0	0
Purchased Water	157,620	158,158	171,064	162,392	160,660	168,951	188,300	193,900	199,700	205,700	211,900
Purchased Power - Pumping	454,182	492,119	501,369	470,982	469,850	516,512	494,000	563,200	591,400	621,000	652,100
Telemetry & Misc. Expense	14,665	10,683	15,283	17,134	20,601	28,253	17,800	18,300	18,800	19,400	20,000
Maint. Reservoirs	1,982	1,378	5,113	2,380	3,571	0	0	0	0	0	0
Maint. Structures & Improvements	2,433	2,329	12,237	15,710	23,634	13,513	9,700	10,000	10,300	10,600	10,900
Maint. Pumping Equipment	24,705	31,578	42,614	32,522	11,043	3,600	9,300	9,600	9,900	10,200	10,500
Lake Lemon Expense	14,298	9,865	13,895	8,362	10,723	4,648	4,600	4,700	4,800	4,900	5,000
<b>Total</b>	<b>719,944</b>	<b>761,980</b>	<b>823,222</b>	<b>774,459</b>	<b>725,939</b>	<b>735,477</b>	<b>723,700</b>	<b>799,700</b>	<b>834,900</b>	<b>871,800</b>	<b>910,400</b>
<b>Treatment</b>											
Operation Supervision	57,637	59,654	62,721	65,322	65,313	108,296	98,300	102,200	106,300	110,600	115,000
Operation Labor	331,706	333,496	362,990	398,145	430,046	413,277	375,300	390,300	405,900	422,100	439,000
Operation Expense	129,195	146,276	157,745	146,800	148,787	190,901	130,000	133,900	137,900	142,000	146,300
Operation Chemicals	140,573	192,096	236,529	128,327	210,462	234,628	226,300	233,100	240,100	247,300	254,700
Maint. Structures & Improvements	41,288	39,531	30,883	36,455	61,806	34,813	23,300	24,000	24,700	25,400	26,200
Maint. Treatment Equipment	111,323	126,832	124,151	116,085	43,291	25,735	8,200	8,400	8,700	9,000	9,300
<b>Total</b>	<b>811,723</b>	<b>897,885</b>	<b>975,019</b>	<b>891,134</b>	<b>959,706</b>	<b>1,007,649</b>	<b>861,400</b>	<b>891,900</b>	<b>923,600</b>	<b>956,400</b>	<b>990,500</b>
<b>Transmission &amp; Distribution</b>											
Operation Supervision	100,117	111,742	123,296	129,954	258,012	386,614	410,000	426,400	443,500	461,200	479,600
Storage Facilities	1,328	2,494	9,137	27,458	56,612	11,206	18,000	18,500	19,100	19,700	20,300
Materials & Supplies	30,987	24,914	34,740	27,909	27,092	31,289	39,500	40,700	41,900	43,200	44,500
Maint. T & D Lines	353,182	328,878	449,009	437,670	346,448	258,225	412,200	424,600	437,300	450,400	463,900
Maint. Services	231,196	187,567	178,992	176,075	129,971	160,440	178,100	183,400	188,900	194,600	200,400
Maint. Meters	197,345	218,419	147,503	162,257	176,661	238,627	245,100	252,500	260,100	267,900	275,900
Maint. Hydrants	33,289	20,126	34,844	30,632	4,096	105,966	108,200	111,400	114,700	118,100	121,600
<b>Total</b>	<b>947,444</b>	<b>894,140</b>	<b>977,521</b>	<b>991,955</b>	<b>998,891</b>	<b>1,192,367</b>	<b>1,411,100</b>	<b>1,457,500</b>	<b>1,505,500</b>	<b>1,555,100</b>	<b>1,606,200</b>
<b>Customer Accounting</b>											
Supervision	41,346	43,584	46,007	44,319	2,316	0	0	0	0	0	0
Meter Reading	46,681	55,613	46,019	54,571	28,737	4,993	283,500	292,000	300,800	309,800	319,100
Customer Accounting	159,901	153,110	158,067	159,760	163,144	167,491	427,000	444,100	461,900	480,400	499,600
Uncollectibles	8,379	8,379	8,598	9,000	10,250	10,917	12,000	12,400	12,800	13,200	13,600
<b>Total</b>	<b>256,308</b>	<b>260,686</b>	<b>258,691</b>	<b>267,650</b>	<b>204,446</b>	<b>183,402</b>	<b>722,500</b>	<b>748,500</b>	<b>775,500</b>	<b>803,400</b>	<b>832,300</b>
<b>General &amp; Administrative</b>											
G&A Salaries - Executive	88,058	83,586	99,540	102,803	333,190	346,107	346,100	359,900	374,300	389,300	404,900
G&A Salaries - Other	433,380	472,465	512,073	544,487	360,440	372,268	372,300	387,200	402,700	418,800	435,600
General Office & Misc. Expense	81,519	83,477	78,843	104,696	110,506	100,989	97,400	100,300	103,300	106,400	109,600
Bond Issuance Costs	145,853	195,603	270,861	217,340	21,619	21,619	22,000	22,700	23,400	24,100	24,800
Outside Services	21,619	21,619	21,619	21,619	156,501	167,198	0	0	0	0	0
Property Insurance	103,134	88,118	78,331	125,654	114,008	119,808	137,200	150,900	166,000	182,600	200,900
Pensions & Benefits	356,283	353,224	365,318	413,678	349,915	350,353	463,000	509,300	560,200	616,200	677,800
Interdepartmental Funding Agreement	188,610	187,582	197,355	203,400	342,492	282,474	242,700	254,800	267,500	280,900	294,900
In Lieu of Taxes	138,317	156,285	164,099	169,100	173,328	162,776	180,500	189,500	199,000	209,000	219,500
Obsolete Surplus of Inventory	(23,827)	48,861	9,534	6,859	12,593	10,651	0	0	0	0	0
Maint. General Plans	95,881	131,081	110,953	141,216	135,552	158,542	78,900	81,300	83,700	86,200	88,800
Utility Bills	39,706	39,352	40,390	39,581	39,025	37,627	39,300	41,300	43,400	45,600	47,900
Water Assistance Program	0	6,196	5,114	5,197	0	0	0	0	0	0	0
Nonutility Expense	3,676	2,651	3,881	3,881	0	0	0	0	0	0	0
Cost & Expense of Contract Work	30,140	29,869	50,748	50,903	86,885	0	0	0	0	0	0
<b>Total</b>	<b>1,702,349</b>	<b>1,899,968</b>	<b>2,008,759</b>	<b>2,150,414</b>	<b>2,236,054</b>	<b>2,130,413</b>	<b>1,979,400</b>	<b>2,097,200</b>	<b>2,223,500</b>	<b>2,359,100</b>	<b>2,504,700</b>
<b>Taxes</b>											
Other than Income Taxes (FICA)	129,252	144,527	153,848	159,250	158,735	145,971	189,400	208,300	229,100	252,000	277,200
Gross Income (State)	87,422	85,241	90,863	92,135	97,593	104,630	110,400	115,900	121,700	127,800	134,200
<b>Total</b>	<b>216,674</b>	<b>229,768</b>	<b>244,711</b>	<b>251,385</b>	<b>256,328</b>	<b>250,601</b>	<b>299,800</b>	<b>324,200</b>	<b>350,800</b>	<b>379,800</b>	<b>411,400</b>
<b>Total O&amp;M</b>	<b>4,654,942</b>	<b>4,944,427</b>	<b>5,287,923</b>	<b>5,326,997</b>	<b>5,381,364</b>	<b>5,499,909</b>	<b>5,997,900</b>	<b>6,319,000</b>	<b>6,613,800</b>	<b>6,925,600</b>	<b>7,255,500</b>

**Table 8  
Major Capital Improvement Program**

Description	2002	2003	2004	2005	2006	2007	2003-2007
	\$	\$	\$	\$	\$	\$	Total \$
<b>Major WTP Improvements - SRF Funded</b>							
<i>Monroe WTP</i>							
West Tank Painting							0
Monroe Intake Improvements	2,500,000		1,420,000				1,420,000
Monroe WTP Upgrades		4,388,000	4,200,000	4,200,000			12,788,000
Prefiltration Facilities		2,730,000					2,730,000
Residuals Management	650,000						0
Engineering	640,000						0
<b>Total Monroe WTP</b>	<b>3,790,000</b>	<b>7,118,000</b>	<b>5,620,000</b>	<b>4,200,000</b>	<b>0</b>	<b>0</b>	<b>16,938,000</b>
<i>Distribution System Improvements</i>							
Southeast Tank, Booster, and Transmission			5,750,000	5,750,000	2,250,000	2,250,000	16,000,000
Fullerton Tank, Booster and Transmission							0
Rehabilitation of West Tank	700,000						0
Engineering		700,000					700,000
<b>Total Distribution System</b>	<b>700,000</b>	<b>700,000</b>	<b>5,750,000</b>	<b>5,750,000</b>	<b>2,250,000</b>	<b>2,250,000</b>	<b>16,700,000</b>
<b>Total SRF Funded Projects</b>	<b>4,490,000</b>	<b>7,818,000</b>	<b>11,370,000</b>	<b>9,950,000</b>	<b>2,250,000</b>	<b>2,250,000</b>	<b>33,638,000</b>
<b>Total Capital Improvement Program</b>	<b>4,490,000</b>	<b>7,818,000</b>	<b>11,370,000</b>	<b>9,950,000</b>	<b>2,250,000</b>	<b>2,250,000</b>	<b>33,638,000</b>

### Major Capital Improvement Program Financing Plan

A capital improvement financing plan is presented in Table 9. The funding sources are summarized on Lines 1 through 5 and the uses of funds are shown on Lines 7 through 11 of the table. It is assumed that there will be no funds from grants or other direct contributions for projects in the capital improvement program. In order to provide program financing, it is anticipated that the City will issue \$7,885,000,000 of State Revolving Fund ("SRF") debt in August 2003; \$11,484,400 of SRF bonds in June 2004; \$10,863,600 of SRF bonds in June 2005, \$2,456,500 in June 2006, and \$2,456,500 in June 2007.

**Table 9  
Major Capital Improvement Program Financing**

Line No.	Description	2003	2004	2005	2006	2007	Total
		\$	\$	\$	\$	\$	\$
<b>Sources of Funds</b>							
1	Beginning of Year Balance	12,300	81,700	0	0	0	0
2	Revenue Bond Proceeds	0	0	0	0	0	0
3	State Revolving Fund Loan Proceeds	7,885,000	11,484,400	10,863,600	2,456,500	2,456,500	35,146,000
4	Cash Financing of Construction	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	6,000,000
5	Interest Income	2,400	0	0	0	0	2,400
6	<b>Total Funds Available</b>	<b>9,099,700</b>	<b>12,766,100</b>	<b>12,063,600</b>	<b>3,656,500</b>	<b>3,656,500</b>	<b>41,242,400</b>
<b>Uses of Funds</b>							
7	SRF Program Capital Improvements	7,818,000	11,370,000	9,950,000	2,250,000	2,250,000	33,638,000
8	Other Capital Improvements	0	0	0	0	0	0
9	Annual Extensions & Replacements	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	6,000,000
10	Debt Issuance Costs	0	196,100	163,000	36,800	36,800	432,700
11	Reserve Fund Requirements	0	0	750,600	169,700	169,700	1,090,000
12	<b>Total Uses of Funds</b>	<b>9,018,000</b>	<b>12,766,100</b>	<b>12,063,600</b>	<b>3,656,500</b>	<b>3,656,500</b>	<b>41,160,700</b>
13	<b>End of Year Fund Balance</b>	<b>81,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Capital Fund requirements include the \$35,146,000 of SRF bond projects and \$432,700 of revenue bond issuance costs. Revenue bond issuance costs include bond counsel fees, engineering fees, rating agency costs, and printing. The existing bond ordinance requires that a reserve account be maintained equal to the least of (a) the maximum annual debt service, (b) 10 percent of the principal amount of the bond, or (c) 125 percent of the average annual debt service; provided that the total balance to be maintained in the reserve account shall not be less than the maximum annual debt service on the outstanding bonds. The financing plan provides that the reserve fund requirement be met through cash-on-hand and that cost is included with bond issuance expenses. Line 13 of Table 9 shows the projected year-end cash balances.

## Debt Service

Table 10 presents a summary of the annual total of the monthly deposits into the Bond and Interest Account for both the existing and proposed revenue bonds. For the purposes of this report, it is assumed that \$7,885,000 of SRF bonds are sold on August 1, 2003. This sale is assumed to be followed by SRF bond sales of \$11,484,400 on June 1, 2004, \$10,863,600 on June 1, 2005, \$2,456,500 on June 1, 2006, and \$2,456,500 on June 1, 2007. The 20-year debt service schedule for the future revenue bonds is based on 20 years of uniform annual debt service payments and an interest rate of 3.30 percent. The total annual debt service requirement is projected to increase to \$4,126,900 by 2007.

**Table 10**  
**Existing and Proposed Debt Service<sup>(a)</sup>**

Year	Existing Debt Service <sup>(a)</sup>	Proposed	Proposed	Total
		Revenue Bond	SRF	
	Debt Service	Debt Service	Debt Service	Debt Service
	\$	\$	\$	\$
2003	498,900	646,000	108,400	1,253,300
2004	610,700	1,236,400	260,200	2,107,300
2005	611,400	1,247,700	1,199,700	3,058,800
2006	611,800	1,243,400	2,096,000	3,951,200
2007	611,100	1,250,000	2,265,800	4,126,900

(a) Accrued basis.

## Annual Extensions and Replacements

The Water Utility makes smaller capital improvements and additions that are funded from operating revenues. Normal annual capital improvements include extensions and replacements of mains, purchases of equipment, and projects that are performed by Water Utility personnel and then capitalized. Normal annual capital improvements are projected to total approximately \$1,200,000 per year.

## **Summary of Revenue Requirements and Proposed Adjustment in Level of Revenue**

The projected revenues and revenue requirements are summarized in Table 11. The projected revenues under existing rates from water sales, private fire protection charges, and forfeited discounts are shown on Lines 1 through 3. The projected revenues are taken from Tables 4 and 5. The magnitude and timing of the proposed water revenue increases are shown on Lines 5 through 10. The proposed increases include approximately 6 percent for inflationary impacts – increases that would be necessary even if no major capital improvements were undertaken. These increases are necessary to offset projected operation and maintenance cost increases and an increase in debt service requirements resulting from the sale of SRF Revenue bonds in 2002. The proposed rate increases total 15 percent effective April 1, 2004, and 16 percent effective April 1, 2006.

The projection of other operating revenues, from Table 5, and other non-operating revenues, from Table 6, are shown on Lines 13 and 16, respectively.

Interest income, shown on Line 14, is earned on cash balances in the Water Fund and Water Debt Fund. These monies are projected to yield an interest rate of 3 percent for the period. With the proposed rate increases, total Water Utility revenues are projected to increase from \$9,199,700 in 2003 to \$12,600,400 in 2007.

Revenue requirements for operation and maintenance expense and payment-in-lieu-of-taxes are taken from Table 7 and are summarized on Lines 17 and 21. Existing and projected debt service is shown on Lines 18 and 19, respectively. Additional revenues are required for Annual Extensions and Replacements (Line 22) totals \$1,200,000 per year. The total annual operating requirements (Line 24) are projected to increase from \$8,451,200 in 2003 to \$12,582,400 in 2007.

The projected net annual operating balance is shown on Line 25 and ranges from a low of negative (\$99,200) in 2005 to a high of \$748,500 in 2003. It is recommended that the Water Utility maintain operating fund balances at a minimum level equal to approximately 45 days of the current year's operation and maintenance expense. The minimum level of working capital is generally sufficient to offset fluctuations in revenues and expenditures. The projected balances meet or exceed the minimum level of working capital.

Line 31 of Table 11 indicates that the utility is projected to maintain a ratio of Net Revenues to annual debt service payments exceeds the revenue bond ordinance requirement of 125 percent. The revenue bond parity test requires that, in order to sell additional revenue bonds on a parity basis with outstanding bonds, net revenues during the prior year, adjusted for rate increases, must be at least 125 percent of the maximum debt service payment. Line 32 shows that the projected revenue meets the parity bonds test.

**Table 11**  
**Projected Revenue, Expenditures, and Obligations under Proposed Rates**

Line No.	Description	2003	2004	2005	2006	2007
		\$	\$	\$	\$	\$
<b>Water Service Revenues</b>						
1	Water Sales	8,247,300	8,303,900	8,360,300	8,416,700	8,473,100
2	Public Fire Protection	584,400	584,400	584,400	584,400	584,400
3	Private Fire Protection	59,200	61,600	64,100	66,700	69,400
4	Forfeited Discounts	33,700	33,700	33,700	33,700	33,700
5	Total Revenues under Existing Rates	8,924,600	8,983,600	9,042,500	9,101,500	9,160,600
Additional Revenue Required:						
	Year	Revenue Increase	Months Effective			
6	2003	0.00%	0	0	0	0
7	2004	15.00%	9	1,010,700	1,356,400	1,374,100
8	2005	0.00%	0	0	0	0
9	2006	16.00%	9		1,256,000	1,685,600
10	2007	0.00%	0			0
11	Total Additional Revenue	0		1,010,700	1,356,400	3,059,700
12	Total Metered Revenues	8,924,600	9,994,300	10,398,900	11,722,700	12,220,300
13	Other Operating Revenue	102,400	108,600	115,200	122,400	130,100
14	Interest Income - Operations <sup>(a)</sup>	9,200	54,100	95,800	89,800	91,100
15	Other Non-Operating Revenue	163,500	163,500	163,500	163,500	163,500
16	Total Operating Revenue	9,199,700	10,320,500	10,773,400	12,098,400	12,605,000
<b>Revenue Requirements</b>						
17	Operation and Maintenance Expense <sup>(b)</sup>	5,817,400	6,129,500	6,414,800	6,716,600	7,036,000
<b>Debt Service</b>						
18	Existing State Revolving Fund Bonds	498,900	610,700	611,400	611,800	611,100
19	Proposed Revenue & SRF Bonds	754,400	1,496,600	2,447,400	3,339,400	3,515,800
20	Total Debt Service	1,253,300	2,107,300	3,058,800	3,951,200	4,126,900
21	Payment in Lieu of Taxes	180,500	189,500	199,000	209,000	219,500
22	Annual Extensions and Replacements	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
23	Transfers to/(from) Other Funds	0	0	0	0	0
24	Total Revenue Requirements	8,451,200	9,626,300	10,872,600	12,076,800	12,582,400
25	<b>Net Annual Balance</b>	<b>748,500</b>	<b>694,200</b>	<b>(99,200)</b>	<b>21,600</b>	<b>22,600</b>
26	Beginning of Year Balance	153,600	902,100	1,596,300	1,497,100	1,518,700
27	Net Annual Balance	748,500	694,200	(99,200)	21,600	22,600
28	Due to Civil City	0	0	0	0	0
29	End of Year Balance	902,100	1,596,300	1,497,100	1,518,700	1,541,300
30	Desired Minimum Ending Balance	739,500	779,100	815,400	853,800	894,500
<b>Debt Service Coverage</b>						
31	Rate Covenant	255.47%	189.89%	135.99%	130.92%	129.63%
32	Additional Bonds Test	174.59%	128.43%	174.02%	126.56%	149.77%

(a) Interest on available funds computed at 3.00 percent annual interest rate.

(b) Includes taxes.



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**APPENDIX C**

**AUDITED 2001 FINANCIAL STATEMENTS  
OF THE WATERWORKS OF  
THE CITY OF BLOOMINGTON**

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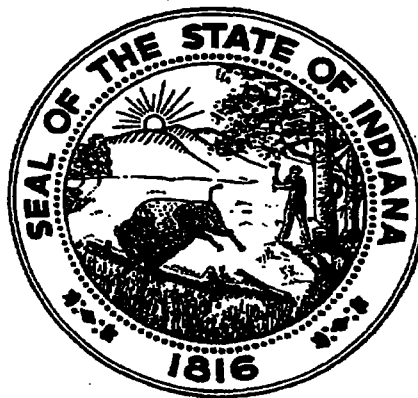
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**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

AUDIT REPORT  
OF

WATER UTILITY  
CITY OF BLOOMINGTON  
MONROE COUNTY, INDIANA

January 1, 2001 to December 31, 2001



Signature  
Valid

*Indiana State Board of Accounts*

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Indiana State  
Board of Accounts  
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Certified

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UTILITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/Assistant Director-Finance	Ms. Margaret Dalle-Ave	03-11-96 to 12-31-02
Director	Mr. Michael Phillips	01-31-83 to 12-31-02
Controller	Mr. Thomas C. Guevara	03-06-00 to 12-31-02
Mayor	Mr. John Fernandez	01-01-99 to 12-31-02
President of the Utility Service Board	Mr. Jeffrey R. White Mr. Thomas Swafford	01-01-00 to 12-31-01 01-01-02 to 12-31-02
President of the Board of Public Works	Ms. Beth Hollingsworth	01-01-00 to 12-31-02
President of the Common Council	Mrs. Patricia Cole Mr. Chris Gaal	01-01-01 to 12-31-01 01-01-02 to 12-31-02



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**INDEPENDENT AUDITOR'S REPORT**

**TO: THE OFFICIALS OF THE WATER UTILITY, CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA**

We have audited the accompanying financial statements of the Water Utility, City of Bloomington (Utility), as of December 31, 2001, as listed in the table of contents. These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Utility and are not intended to present fairly the financial position of the City of Bloomington, and the results of its operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utility, as of December 31, 2001, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States. The required supplementary information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying supplemental schedule, Statistical Summary, is not necessary for a fair presentation of the financial statements, but is presented as additional analytical data. This information has been subjected to the tests and other auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

July 15, 2002



WATER UTILITY  
CITY OF BLOOMINGTON  
BALANCE SHEET  
December 31, 2001

<u>Assets</u>	<u>2001</u>
<b>Current Assets:</b>	
Operating Cash and Cash Equivalents	\$ 614,561
Accounts Receivable - Customer (Net of Allowance 2001, \$51,231)	531,961
Accounts Receivable - Other	58,125
Interest Receivable	69
Inventory - Materials and Supplies	463,908
Prepaid Expense	2,921
Due From Wastewater Utility	<u>143,012</u>
<b>Total Current Assets</b>	<b><u>1,814,557</u></b>
<b>Restricted Assets:</b>	
Water Hydrant Cash and Cash Equivalent	394
Bond and Interest Cash and Cash Equivalents	1,082
Customer Deposits Cash and Cash Equivalents	164
Construction Cash and Cash Equivalents	501,203
Cash with Fiscal Agent	<u>642,955</u>
<b>Total Restricted Assets</b>	<b><u>1,145,798</u></b>
<b>Fixed Assets:</b>	
Utility Plant in Service	60,348,765
Utility Plant Acquisition Adjustment (Net)	53,701
Accumulated Depreciation	(19,892,189)
Construction Work in Progress	<u>14,702,747</u>
<b>Total Fixed Assets (Net)</b>	<b><u>55,213,024</u></b>
<b>Deferred Debits:</b>	
Unamortized Bond Issuance Costs	<u>251,407</u>
<b>Total Assets</b>	<b><u>\$ 58,424,786</u></b>

The accompanying notes are an integral part of the financial statements.

**WATER UTILITY**  
**CITY OF BLOOMINGTON**  
**BALANCE SHEET**  
**December 31, 2001**  
**(Continued)**

<u>Liabilities and Equity</u>	<u>2001</u>
<b>Current Liabilities (Payable From Current Assets):</b>	
Accounts Payable	\$ 739,909
Accrued Payroll and Withholdings Payable	46,853
Taxes Payable	20,954
Capital Lease Obligations	50,943
Due To City	522,469
Due to Wastewater Utility	837,002
Unearned Revenue	71,226
Note Payable	15,296
Loan Payable	2,000
<b>Current Liabilities (Payable From Restricted Assets):</b>	
Customer Deposits	863
Interest Payable	297,955
Revenue Bonds Payable (Due Within One Year)	<u>700,000</u>
<b>Total Current Liabilities</b>	<b><u>3,305,470</u></b>
<b>Long-Term Liabilities:</b>	
Revenue Bonds Payable	10,201,843
Customer Advances for Construction	758,072
Capital Lease Obligations	242,470
Note Payable	121,576
Loan Payable	9,811,124
Compensated Absences Payable	<u>56,401</u>
<b>Total Long-Term Liabilities</b>	<b><u>21,191,486</u></b>
<b>Total Liabilities</b>	<b><u>24,496,956</u></b>
<b>Equity:</b>	
Contributed Capital	8,696,916
Retained Earnings	<u>25,230,914</u>
<b>Total Equity</b>	<b><u>33,927,830</u></b>
<b>Total Liabilities and Equity</b>	<b><u>\$ 58,424,786</u></b>

The accompanying notes are an integral part of the financial statements.

WATER UTILITY  
CITY OF BLOOMINGTON  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
For The Year Ended December 31, 2001

	2001
<b>Operating Revenues:</b>	
Metered Water Revenue	\$ 7,692,302
Fire Protection Revenue	87,531
Penalties	26,588
Contract Work - Net	69,012
Other	204,257
<b>Total Operating Revenues</b>	<b>8,079,690</b>
<b>Operating Expenses:</b>	
<b>Source of Supply and Expense - Operations and Maintenance</b>	
Salaries and Wages	37,537
Purchased Water	160,659
Purchased Power and Fuel	470,113
Materials and Supplies	36,459
Maintenance	51
Other	21,119
<b>Water Treatment Expense - Operations and Maintenance</b>	
Salaries and Wages	304,059
Purchased Power	107,611
Chemicals	210,482
Materials and Supplies	91,787
Contractual Services	216,648
Utilities	14,412
Maintenance	14,726
<b>Transmission and Distribution Expense - Operations and Maintenance</b>	
Salaries and Wages	359,386
Materials and Supplies	322,199
Contractual Services	128,039
Maintenance	115,304
Other	56,612
<b>Customer Accounts Expense</b>	
Salaries and Wages	121,079
Materials and Supplies	73,117
Bad Debt Expense	10,250
<b>Administrative and General Expense</b>	
Salaries and Wages	693,630
Employee Pensions and Benefits	359,171
Training	26,750
Insurance	114,008

The accompanying notes are an integral part of the financial statements.

**WATER UTILITY**  
**CITY OF BLOOMINGTON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS**  
**For The Year Ended December 31, 2001**  
**(Continued)**

	2001
<b>Operating Expenses (Continued):</b>	
<b>Administrative and General Expense (Continued)</b>	
Materials and Supplies	\$ 166,519
Contractual Services	177,982
Maintenance	25,685
Utilities	39,025
Taxes	256,328
Payment in Lieu of Taxes	173,328
Interdepartment Funding Agreement	457,429
Depreciation and Amortization	1,352,447
Other	18,217
<b>Total Operating Expenses</b>	<b>6,732,148</b>
<b>Operating Income</b>	<b>1,347,542</b>
<b>Nonoperating Revenues (Expenses):</b>	
Interest on Investments	53,883
Lake Lemon Fees	650
Gain on Sale of Assets	12,091
Other Revenue	42,802
Utility Amortization Expense	(3,040)
Amortization of Bond Issue Costs	(21,619)
Interest on Debt	(636,680)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(551,913)</b>
<b>Net Income</b>	<b>795,629</b>
<b>Retained Earnings - January 1, as Previously Reported</b>	<b>24,628,970</b>
<b>Prior Period Adjustment - (Note 14)</b>	<b>(193,685)</b>
<b>Retained Earnings - January 1, Restated</b>	<b>24,435,285</b>
<b>Retained Earnings - December 31</b>	<b>\$ 25,230,914</b>

The accompanying notes are an integral part of the financial statements.

WATER UTILITY  
CITY OF BLOOMINGTON  
STATEMENT OF CASH FLOWS  
For The Year Ended December 31, 2001

	2001
<b>Cash Flows From Operating Activities:</b>	
Operating Income	\$ 1,347,542
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	1,352,447
Bad Debt Expense	10,250
Nonoperating Revenues (Expenses)	43,452
(Increase) Decrease in Assets:	
Accounts Receivable	(14,469)
Accounts Receivable - Other	91,967
Inventory	64,344
Prepaid Expense	2,712
Due From Wastewater Utility	216,769
Increase (Decrease) in Liabilities:	
Accounts Payable	(55,806)
Accrued Wages Payable	4,546
Unearned Revenue	57,449
Compensated Absences Payable	9,256
Customer Advances for Construction	(24,045)
Taxes Payable	(622)
Due to Civil City	144,240
Due To Wastewater Utility	27,920
Customer Deposits Payable	<u>(9,815)</u>
 Net Cash Provided by Operating Activities	 <u>3,268,137</u>
 <b>Cash Flows From Capital and Related Financing Activities:</b>	
Proceeds From Loan Payable	2,132,726
Principal Paid on Revenue Bonds	(655,000)
Principal Paid of Capital Lease Obligations	(61,531)
Principal Paid of Note Payable	(14,623)
Principal Paid of Loan Payable	(1,000)
Interest Paid on Revenue Bonds	(625,227)
Interest Paid of Capital Lease Obligations	(15,352)
Interest Paid of Note Payable	(6,518)
Acquisition and Construction of Capital Assets	(3,700,357)
Proceeds From Sale of Assets	36,209
Capital Contributions	<u>47,192</u>
 Net Cash Used by Capital and Related Financing Activities	 <u>(2,863,481)</u>
 <b>Cash Flow From Investing Activities:</b>	
Interest on Investments	<u>53,979</u>
 Net Cash Provided by Investing Activities	 <u>53,979</u>
 Net Increase in Cash and Cash Equivalents	 458,635
Cash and Cash Equivalents - January 1	<u>1,301,724</u>
Cash and Cash Equivalents - December 31	<u>\$ 1,760,359</u>
 <b>Supplemental Information:</b>	
Loans Payable Acquired by Direct State Payment to Contractors	\$ 6,219,430
Assets Acquired by Capital Lease	69,806

The accompanying notes are an integral part of the financial statements.

**WATER UTILITY  
CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

The accounts of the Utility are maintained and the financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The accounting guide in use by the Utility is the Uniform System of Accounts for Class A and B Water Utilities, published by the National Association of Regulatory Utility Commissioners, and in accordance with policies prescribed or permitted by the Indiana Utility Regulatory Commission. The more significant of these policies are:

**A. Reporting Entity**

The financial statements reflect only the activity of the Utility and are not intended to present fairly the financial position of the City of Bloomington (City), and the results of its operations and cash flows of its Enterprise Funds. The Utility, whose operations are controlled by the City, represents a substantial portion of the City's Enterprise Funds.

**B. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired.

**C. Investments**

Nonparticipating Certificates of Deposit, demand deposits, and similar negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost or amortized cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

**D. Inventories**

Materials and supplies purchased throughout the year for repair and maintenance of the Utility are charged to expense accounts at the time of purchase. At year end, physical counts of significant inventories are made and valued at cost using the first-in, first-out method. Appropriate entries are then made to adjust inventory and expense accounts.

**E. Charges for Services to City**

The Utility provides water services and hydrant rental to the City, as well as to various other departments of the City. For 2001, charges for these services amounted to \$109,828.

**F. Due To/From City and Wastewater Utility**

During the course of its operations, the Utility has numerous transactions with the City and the Wastewater Utility to finance operations, provide services, construct assets and/or service debt. To the extent that certain transactions, between the Utility and the City and the Wastewater Utility, had not been paid or received at year end, balances of receivables or payables have been recorded.

WATER UTILITY  
CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**G. Restricted Assets**

Proceeds from debt and funds set aside for payment of revenue bonds, utility plant betterments and improvements, or funds held in a trust capacity, are classified as restricted assets since their use is limited by applicable bond indentures or governing body action.

**H. Utility Plant in Service**

Property and equipment are recorded at cost. Maintenance and repairs are charged to operating expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are deleted, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by off-setting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

**I. Depreciation**

Depreciation of the utility plant has been provided on the straight-line method using estimated useful lives as follows:

Buildings	40 to 60 Years
Improvements Other Than Buildings	30 to 100 Years
Machinery and Equipment	10 to 15 Years
Transportation Equipment	5 Years

**J. Deferred Debits**

Bond issuance costs are amortized using the straight-line method over the terms of the related issues.

**K. Contributions**

Contributions for fixed assets, including those received from city funds, grants and assistance received from other governmental units, and from private sources for the acquisition or construction of fixed assets, are credited directly to this account.

**L. Revenue Recognized**

The Utility records revenues as billed to customers. The Utility does not recognize any unbilled portion which exists at year end.

**Note 2. Deposits and Investments**

Deposits, made in accordance with IC 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

**WATER UTILITY  
CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)**

State statute (IC 5-13-9) authorizes the Utility to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 3. Due To/From City and Wastewater Utility**

The following schedules show amounts due to/from the City and the Wastewater Utility, as of December 31, 2001:

<b>Due To City</b>	
Types of Transactions	Amount
Interdepartmental Funding Agreement	\$ 342,492
In Lieu of Taxes Agreement	173,328
Fleet Fuel Charges	6,649
<b>Total</b>	<b>\$ 522,469</b>
<b>Due To Wastewater Utility</b>	
Types of Transactions	Amount
Special Billings and Payroll	\$ 273,867
Stormwater Construction	563,135
<b>Total</b>	<b>\$ 837,002</b>
<b>Due From Wastewater Utility</b>	
Types of Transactions	Amount
Payroll Advances and Inventory	<b>\$ 143,012</b>

**Note 4. Pension Plan**

**Public Employees' Retirement Fund**

**Plan Description**

The Utility contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Utility authority to contribute to the plan.



WATER UTILITY  
CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utility's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City.

Actuarial Information for the Above Plan

	PERF
Annual Required Contribution	\$ 487,248
Interest on Net Pension Obligation	(32,858)
Adjustment to Annual Required Contribution	35,523
Annual Pension Cost	489,913
Contributions Made	509,095
Increase (Decrease) in Net Pension Obligation	(19,182)
Net Pension Obligation, Beginning of Year	(453,209)
Net Pension Obligation, End of Year	\$ (472,391)

WATER UTILITY  
CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF
Contribution Rates:	
Utility	3.50%
Plan Members	3%
Actuarial Valuation Date	07-01-01
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Projected Payroll, Closed
Remaining Amortization Period	36 Years
Asset Valuation Method	4 Year Smoothed Market

Actuarial Assumptions

Investment Rate of Return	7.25%
Projected Future Salary Increases:	
Total	5%
Attributed to Inflation	4%
Attributed to Merit/Seniority	1%
Cost-of-Living Adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-99	\$ 372,178	134.53%	\$ (447,286)
	06-30-00	490,708	101.21%	(453,209)
	06-30-01	489,913	103.92%	(472,391)

Note 5. Utility Plant in Service

A. Utility Plant in Service

A summary of utility plant in service, including assets under capital lease, at December 31, 2001, follows:

Land	\$ 550,143	\$ -
Buildings	11,216,306	3,060,107
Improvements Other Than Buildings	40,719,264	11,070,217
Machinery and Equipment	6,746,269	5,116,313
Transportation Equipment	1,116,783	645,552
Totals	\$ 60,348,765	\$ 19,892,189

WATER UTILITY  
CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The following is a summary of changes in the utility plant in service, including assets under capital lease, for the year ended December 31, 2001:

<u>2001</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance Decemeber 31</u>
Land	\$ 538,173	\$ 11,970	\$ -	\$ 550,143
Buildings	11,216,306	-	-	11,216,306
Improvements Other Than Buildings	39,103,119	1,624,132	7,986	40,719,265
Machinery and Equipment	6,668,477	77,791	-	6,746,268
Transportation Equipment	<u>1,225,177</u>	<u>15,891</u>	<u>124,285</u>	<u>1,116,783</u>
<b>Totals</b>	<b><u>\$ 58,751,252</u></b>	<b><u>\$ 1,729,784</u></b>	<b><u>\$ 132,271</u></b>	<b><u>\$ 60,348,765</u></b>

**B. Fixed Assets Under Capital Lease**

The assets acquired through capital leases still in effect are as follows:

Buildings	\$ 261,209
Machinery and Equipment	<u>158,959</u>
<b>Totals</b>	<b>420,168</b>
Accumulated Depreciation	<u>27,744</u>
<b>Net Fixed Assets</b>	<b><u>\$ 392,424</u></b>

**Note 6. Construction Work in Progress**

Construction work in progress is composed of the following:

**WATER UTILITY  
CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)**

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2001</u>	<u>Committed</u>	<u>Required Future Funding</u>
1996 Project	\$ 388,141	\$ 388,141	\$ -	\$ -
1997 Projects	373,546	373,546	-	-
1998 Projects	2,766,781	2,766,781	-	-
1999 Projects	8,918,455	8,918,455	-	-
2000 Projects	2,387,455	1,366,572	1,020,883	-
2001 Projects	1,699,256	886,925	812,331	-
2002 Projects	2,327	2,327	-	-
<b>Totals</b>	<b><u>\$ 16,535,961</u></b>	<b><u>\$ 14,702,747</u></b>	<b><u>\$ 1,833,214</u></b>	<b><u>\$ -</u></b>

**Note 7. Long-Term Debt**

**Revenue Bonds**

The Utility issues bonds to be paid by income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
1993 Waterworks Refunding Revenue Bonds	4.45% to 5.35%	\$ 4,590,000
1995 Waterworks Expansion Revenue Bonds	5.70% to 5.80%	<u>6,390,000</u>
<b>Total</b>		<b><u>\$ 10,980,000</u></b>

**Unamortized Amounts of Bonds**

Revenue bonds at year end include the following amounts of unamortized bond discount:

	<u>Balance at December 31</u>	<u>Less: Unamortized Discount</u>	<u>Revenue Bonds</u>
1993 Revenue Bonds	\$ 4,590,000	\$ 22,462	\$ 4,567,538
1995 Revenue Bonds	<u>6,390,000</u>	<u>55,695</u>	<u>6,334,305</u>
<b>Totals</b>	<b><u>\$ 10,980,000</u></b>	<b><u>\$ 78,157</u></b>	<b><u>\$ 10,901,843</u></b>

WATER UTILITY  
CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Annual debt service requirements to maturity for revenue bonds, including interest of \$5,218,004, are as follows:

2002	\$ 1,287,702
2003	1,283,798
2004	1,287,318
2005	1,292,619
2006	1,294,775
Thereafter	<u>9,751,792</u>
Totals	<u>\$ 16,198,004</u>

Capital Leases

The Utility has entered into capital leases for equipment and various building improvements. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2001, are as follows:

2002	\$ 49,359
2003	66,444
2004	49,580
2005	49,580
2006	34,169
Thereafter	<u>102,508</u>
Total Minimum Lease Payments	351,640
Less Amount Representing Interest	<u>58,227</u>
Present Value of Net Minimum Lease Payments	<u>\$ 293,413</u>

Note Payable

The Utility has entered into a note. Annual debt service requirements to maturity for the note, including interest of \$25,218, are as follows:

2002	\$ 19,381
2003	21,142
2004	21,142
2005	21,142
2006	21,142
Thereafter	<u>58,141</u>
Totals	<u>\$ 162,090</u>

WATER UTILITY  
CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

State Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank, the proceeds of which are set aside to finance the construction of the South Tank and various water projects. Funds are loaned to the Utility as construction costs are accrued to the maximum allowed. The loan established maximum draw of \$10,850,000. As of December 31, 2001, the loan principal balance was \$9,813,124. Annual debt service requirements for the loan will not be determined until planned construction projects are completed.

Changes in Long-Term Debt

During the year ended December 31, 2001, the following changes occurred in long-term debt:

<u>2001</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>
Revenue Bonds	\$ 11,635,000	\$ -	\$ 655,000	\$ 10,980,000
Compensated Absences	47,145	9,256	-	56,401
Capital Leases	285,138	69,806	61,531	293,413
Note Payable	151,495	-	14,623	136,872
Loan Payable	<u>1,461,667</u>	<u>8,352,457</u>	<u>1,000</u>	<u>9,813,124</u>
Totals	<u>\$ 13,580,445</u>	<u>\$ 8,431,519</u>	<u>\$ 732,154</u>	<u>\$ 21,279,810</u>

**Note 8. Risk Management**

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Health Insurance

The City's Insurance Trust Fund, an internal service fund, services the risk of loss related to employee health claims. An excess policy through commercial insurance covers individual claims in excess of \$75,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all covered employees and by all insured funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon the percentage of each fund's current year eligible employees as it relates to total eligible employees, and are reported as quasi-external interfund transactions. Provisions are also made for unexpected and unusual claims.

WATER UTILITY  
CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Workers Compensation

The City's Risk Management Fund, an internal service fund, services the risk of loss related to compensation claims. Excess policies through commercial insurance covers individual claims in excess of \$300,000 for workers compensation incidents per year. Settled claims resulting from these risks did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all insured funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums for workers compensation claims are based primarily upon the percentage of each fund's current year payroll as it relates to total payroll and the fund's past claim experience, and are reported as quasi-external interfund transactions. Provisions are also made for unexpected and unusual claims.

Note 9. Contributions

Changes in contributions consisted of the following during the year ended December 31, 2001:

	2001
Contributions, Beginning of Year	\$ 7,440,415
State Contributions	25,000
Private Contributions	1,231,501
Contributions, End of Year	\$ 8,696,916

Note 10. Compensated Absences

Paid time off (PTO) is earned by part-time and full-time employees based on the number of years employed and ranges from seven days to twenty-two days per year. PTO leave may be used for any purpose. PTO leave must be used within the calendar year earned unless otherwise requested by the employee's department head.

PTO leave not carried forward is converted to sick leave for employees not covered under a collective bargaining agreement. The employees under the agreement earn sick leave at the rate of one day per full-time equivalent month worked. The accumulation of sick leave is unlimited, but any unused balance is not paid to employees upon separation from employment. No liability is reported for unpaid accumulated sick leave.

Note 11. Rate Structure

The rate structure in effect during 2001 was approved by the Indiana Utility Regulatory Commission on March 31, 2000.

**WATER UTILITY  
CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**Note 12. Utility Plant Acquisition Adjustment**

The City of Bloomington Water Utility purchased Russell Road Water Corporation during 1999 for \$170,000. The actual assets purchased less accumulated depreciation were valued at \$109,206. The difference of \$60,794 was recorded as Utility Plant Acquisition Adjustment and will be amortized over twenty years.

**Note 13. Subsequent Events**

The Indiana Utility Regulatory Commission approved new water rates for the City of Bloomington effective June 7, 2002.

**Note 14. Prior Period Adjustments**

Adjustments have been made to correct errors in the previously issued 2000 financial statements. The adjustments of \$193,685 were made to correct for revenues and accounts receivable of Wastewater Utility that were erroneously recorded in the Water Utility.



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**WATER UTILITY  
CITY OF BLOOMINGTON  
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-99	\$ 14,007,893	\$ 10,577,181	\$ 3,430,712	132.43%	\$ 13,778,089	24.90%
07-01-00	14,984,669	11,455,153	3,529,516	130.81%	15,068,696	23.42%
07-01-01	15,453,545	16,049,033	(595,488)	96.28%	15,081,036	(3.95%)

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CITY OF BLOOMINGTON  
WATER UTILITY  
TEN YEAR STATISTICAL SUMMARY

	2001	Restated 2000	1999	1998	1997	1996	1995	1994	1993	1992
Operating Revenues	\$ 8,079,680	\$ 7,940,772	\$ 7,579,105	\$ 7,078,104	\$ 7,156,110	\$ 7,027,682	\$ 6,986,561	\$ 6,662,674	\$ 5,929,090	\$ 5,744,916
Operating Expenses	<u>6,732,148</u>	<u>6,889,077</u>	<u>6,365,025</u>	<u>6,053,488</u>	<u>5,565,235</u>	<u>5,473,534</u>	<u>5,201,868</u>	<u>5,354,565</u>	<u>4,938,690</u>	<u>4,422,555</u>
Operating Income	1,347,542	1,051,695	1,214,080	1,024,616	1,590,875	1,554,148	1,784,693	1,308,109	990,400	1,322,361
Nonoperating Revenues (Expenses)	(551,913)	(555,254)	(598,453)	(582,869)	(668,530)	(152,020)	(311,591)	(329,174)	(698,575)	(583,001)
Extraordinary Items	-	-	-	-	-	-	-	-	(930,754)	-
Net Income (Loss)	<u>\$ 795,629</u>	<u>\$ 496,441</u>	<u>\$ 817,827</u>	<u>\$ 441,747</u>	<u>\$ 922,345</u>	<u>\$ 1,402,128</u>	<u>\$ 1,473,102</u>	<u>\$ 978,935</u>	<u>\$ (638,929)</u>	<u>\$ 739,360</u>
Current Assets	\$ 1,814,557	\$ 1,948,937	\$ 2,894,531	\$ 2,860,008	\$ 3,364,382	\$ 3,023,244	\$ 2,844,774	\$ 2,125,529	\$ 3,900,238	\$ 2,337,537
Restricted Assets	1,145,798	824,452	1,179,525	1,283,450	1,933,586	2,144,557	6,198,791	1,174,455	42,483	3,374,040
Utility Plant in Service	80,348,785	58,751,252	55,828,404	47,265,924	45,731,854	42,893,903	41,489,991	40,232,312	37,927,794	36,724,638
Utility Plant Acquisition Adjustment (Net)	53,701	56,741	59,781	-	-	-	-	-	-	-
Accumulated Depreciation	(18,892,189)	(18,639,914)	(17,593,284)	(16,483,480)	(15,370,949)	(14,478,342)	(13,631,203)	(12,774,653)	(11,931,370)	(11,219,608)
Construction Work in Progress	14,702,747	5,333,231	3,202,991	8,700,984	7,355,498	7,672,336	4,575,533	1,665,590	977,809	1,165,213
Deferred Debits	<u>251,407</u>	<u>273,026</u>	<u>284,645</u>	<u>316,264</u>	<u>337,883</u>	<u>359,502</u>	<u>385,588</u>	<u>194,517</u>	<u>224,173</u>	<u>152,727</u>
Total Assets	<u>\$ 58,424,786</u>	<u>\$ 48,847,725</u>	<u>\$ 45,866,593</u>	<u>\$ 43,943,150</u>	<u>\$ 43,352,234</u>	<u>\$ 41,615,200</u>	<u>\$ 41,863,374</u>	<u>\$ 32,617,750</u>	<u>\$ 31,141,127</u>	<u>\$ 32,534,547</u>
Current Liabilities	\$ 3,305,470	\$ 2,875,960	\$ 2,638,752	\$ 1,825,078	\$ 2,251,468	\$ 1,673,188	\$ 3,335,637	\$ 1,886,243	\$ 1,849,619	\$ 2,136,081
Long-Term Liabilities	21,191,486	13,896,085	12,798,811	13,286,994	14,003,926	14,560,070	15,166,230	9,256,725	9,136,466	9,861,767
Contributions	8,696,916	7,440,415	6,298,701	5,316,178	4,023,685	3,231,132	2,612,825	2,297,515	1,914,994	1,657,742
Retained Earnings	<u>25,230,914</u>	<u>24,435,285</u>	<u>24,132,529</u>	<u>23,514,902</u>	<u>23,073,155</u>	<u>22,150,810</u>	<u>20,748,682</u>	<u>19,177,287</u>	<u>18,240,048</u>	<u>18,878,977</u>
Total Liabilities, Contributions and Retained Earnings	<u>\$ 58,424,786</u>	<u>\$ 48,847,725</u>	<u>\$ 45,866,593</u>	<u>\$ 43,943,150</u>	<u>\$ 43,352,234</u>	<u>\$ 41,615,200</u>	<u>\$ 41,863,374</u>	<u>\$ 32,617,750</u>	<u>\$ 31,141,127</u>	<u>\$ 32,534,547</u>
Number of Customers:										
Residential	20,173	19,841	19,542	18,163	17,022	17,435	17,055	16,494	15,906	15,465
Commercial	<u>2,722</u>	<u>2,740</u>	<u>2,752</u>	<u>3,108</u>	<u>2,027</u>	<u>2,788</u>	<u>2,664</u>	<u>2,719</u>	<u>2,688</u>	<u>2,572</u>
Total	<u>22,895</u>	<u>22,581</u>	<u>22,294</u>	<u>21,271</u>	<u>19,049</u>	<u>20,223</u>	<u>19,719</u>	<u>19,213</u>	<u>18,594</u>	<u>18,037</u>

WATER UTILITY  
CITY OF BLOOMINGTON  
AUDIT RESULTS AND COMMENTS

UTILITY ACCOUNT CONTROL VS. DETAIL

As stated in prior Audit Report No. B17264, upon a review of the Accounts Receivable – Customer; Accounts Receivable – Other; Materials and Supplies Inventory; and Customer Deposit Liability Accounts, we noted that the detailed documentation does not reconcile with the control amount recorded on the general ledger.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Page 51-5)

INTERNAL CONTROL – ACCOUNTING SYSTEM CHANGE

During the year the City Utilities changed to the Oracle computerized accounting and processing system. In order to prepare financial statements for audit it was necessary to combine information from the current and prior systems to determine total activity for the year. Since the utility personnel did not present such combined information for the Water Utility by the time that information was needed we were required to spend significant additional audit time compiling this information.

In the course of our audit we encountered numerous posting errors made to the general ledger and payroll errors. The information available on Construction Work in Progress was insufficient for audit purposes and required significant detailed analysis. Certain other information was not presented for audit and had to be compiled during the course of our audit work.

Governmental units should have internal controls in effect, which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Page 51-8)

TIMELY RECORDKEEPING

- Many financial transactions and accounting entries were not recorded on a timely basis. The Utility financials for 2001 were not completed until July 2002.

The failure to complete some accounting tasks on a timely basis and to perform others at all necessitated the use of additional audit time.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Page 51-12)

**WATER UTILITY  
CITY OF BLOOMINGTON  
EXIT CONFERENCE**

**The contents of this report were discussed on September 3, 2002, with Mr. Michael Phillips, Director, and Ms. Margaret Dalle-Ave, Assistant Director of Finance. The officials concurred with our audit findings.**

**The contents of this report were also discussed on September 3, 2002, with John Fernandez, Mayor; James McNamara, Deputy Mayor; Linda Runkle, Corporation Counsel; and Thomas Guevara, Controller.**

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**APPENDIX D**  
**FORM OF OPINION OF BOND COUNSEL**



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FORM OF BOND COUNSEL OPINION

Upon delivery of the Bonds in definitive form, Ice Miller, Bond Counsel, proposes to render the following opinion with respect to the Bonds substantially in the form set forth below.

July 23, 2003

Banc One Capital Markets, Inc.  
Chicago, Illinois

Re: City of Bloomington, Indiana  
Waterworks Refunding Revenue Bonds of 2003  
Total Issue: \$10,220,000  
Dated: July 23, 2003

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Bloomington, Indiana ("Issuer") of \$10,220,000 of its Waterworks Refunding Revenue Bonds of 2003, dated July 23, 2003 ("Bonds"). We have examined the law and the certified transcript of proceedings of the Issuer had relative to the authorization, issuance and sale of the Bonds and such other papers as we deem necessary to render this opinion. We have relied upon the certified transcript of proceedings and certificates of public officials of the Issuer, including the Issuer's tax covenants and representations ("Tax Representations"), and we have not undertaken to verify any facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds are the valid and binding special revenue obligations of the Issuer in accordance with the terms and provisions thereof, and together with any additional bonds on a parity therewith hereafter issued, will be secured by a pledge of and payable solely out of the special fund heretofore legally established and designated as the "Waterworks Sinking Fund," on a parity with certain (i) Waterworks Revenue Bonds of 2000, Series A, dated June 23, 2000, now outstanding in the amount of \$10,846,000 and maturing semiannually over a period ending January 1, 2021 and (ii) Waterworks Revenue Bonds of 2003, Series A, dated April 18, 2003, now outstanding in the amount of \$4,215,000 and maturing semiannually over a period ending January 1, 2023, to which fund there has been legally pledged the net revenues (such net revenues being the gross revenues after deduction only for the payment of the reasonable expenses of operation and maintenance) of the waterworks.

Banc One Capital Markets, Inc.

July 23, 2003

Page 2

2. Under statutes, decisions, regulations and rulings existing on this date, interest on the Bonds is exempt from income taxation in the State of Indiana ("State"). This opinion relates only to the exemption of interest on the Bonds from State income taxes.

3. Under federal statutes, decisions, regulations and rulings existing on this date, interest on the Bonds is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986 ("Code"). This opinion relates only to the exclusion from gross income of interest on the Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Issuer with its Tax Representations. Failure to comply with the Tax Representations could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to their date of issue.

In rendering this opinion, we have relied upon a report of O. W. Krohn & Associates, LLP, certified public accountants, as to the accuracy of (i) the mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Government Obligations (as defined in the ordinance authorizing the Bonds ("Ordinance")), together with other escrowed moneys, to be placed in the Trust Account created under the Escrow Agreement (as defined in the Ordinance) to pay the principal of and interest and redemption premiums on the Refunded Bonds (as defined in the Ordinance) from the date of delivery of the Bonds to the earliest dates on which the Refunded Bonds may be called for redemption, and all fees and expenses for the redemption or paid at maturity, and (ii) the mathematical computations of the yield on the Bonds and the yield on the Government Obligations deposited pursuant to the Escrow Agreement.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Official Statement or any other offering material relating to the Bonds and we express no opinion thereon.

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to the valid exercise of the constitutional powers of the Issuer, the State and the United States of America.

Very truly yours,

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**APPENDIX E**  
**BOND ORDINANCE**

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*Passed (8-0)*

**ORDINANCE 03-10**

**An Ordinance Concerning the Refunding By the City of Bloomington of Its Waterworks Refunding Revenue Bonds of 1993 and Its Waterworks Revenue Bonds of 1995; Authorizing the Issuance of Waterworks Refunding Revenue Bonds for Such Purpose; Providing for the Collection, Segregation and Distribution of the Revenues of the Waterworks and the Safeguarding of the Interests of the Owners of the Waterworks Refunding Revenue Bonds Authorized Herein; Other Matters Connected Therewith; And Repealing Ordinances Inconsistent Herewith**

- WHEREAS,** the City of Bloomington, Indiana ("City") has heretofore established, constructed and financed a municipal waterworks and now owns and operates the waterworks pursuant to IC 8-1.5 and other applicable laws; and
- WHEREAS,** the Common Council finds that certain hereinafter described outstanding bonds of the waterworks should be refunded to obtain a reduction in interest payments and effect a savings to the City; that the refunding of said outstanding bonds, together with redemption premium and accrued interest thereon and including all costs related to the refunding cannot be provided for out of funds of the waterworks now on hand and the refunding should be accomplished by the issuance of revenue bonds of the waterworks; and
- WHEREAS,** the Common Council finds that there are now outstanding bonds of the waterworks originally issued to refund outstanding bonds of the waterworks and to finance the construction of improvements and additions to the waterworks and payable out of the revenues therefrom designated as the "Waterworks Refunding Revenue Bonds of 1993," dated December 1, 1993 ("1993 Bonds"), now outstanding in the amount of \$3,795,000 and maturing semiannually on January 1 and July 1 over a period ending January 1, 2009; "Waterworks Revenue Bonds of 1995," dated May 1, 1995 ("1995 Bonds"), now outstanding in the amount of \$6,125,000 and maturing semiannually on January 1 and July 1 over a period ending January 1, 2020; and "Waterworks Revenue Bonds of 2000, Series A," dated June 23, 2000 ("2000 Bonds"), now outstanding in the amount of \$10,847,000 and maturing semiannually on January 1 and July 1 over a period ending January 1, 2021; and which 1993 Bonds, 1995 Bonds and 2000 Bonds constitute a first charge upon the Net Revenues of the waterworks; and
- WHEREAS,** the Common Council finds that, prior to the issuance of the bonds authorized by this ordinance, certain bonds of the waterworks will be issued to finance the construction of improvements and additions to the waterworks and payable out of the revenues therefrom designated "Waterworks Revenue Bonds of 2003, Series A" ("2003 Bonds"), which 2003 Bonds will be payable semiannually on January 1 and July 1 over a period and in a

principal amount to be determined at the time of issuance of the 2003 Bonds, consistent with the provisions of Ordinance No. 01-42, adopted by the Common Council on December 5, 2001; and which 2003 Bonds will constitute a first charge upon the Net Revenues of the waterworks, on a parity with the 1993 Bonds, the 1995 Bonds and the 2000 Bonds; and

WHEREAS, the Common Council finds that the 1993 Bonds and the 1995 Bonds (collectively, "Refunded Bonds") should be refunded pursuant to the provisions of IC 5-1-5 to enable the City to obtain a reduction in interest payments and effect a savings to the City, and

WHEREAS, the Common Council finds that it is advisable to issue its refunding revenue bonds in an amount not to exceed \$11,000,000 and to use the proceeds, together with funds on hand, to refund the Refunded Bonds and to pay for all costs related to the refunding; and

WHEREAS, the ordinances authorizing the issuance of the 2000 Bonds and the 2003 Bonds (collectively, "Outstanding Bonds") permit the issuance of additional bonds ranking on a parity with said Outstanding Bonds provided certain conditions can be met, and the City finds that the finances of said waterworks will enable the City to meet the conditions for the issuance of additional parity bonds and that, accordingly, the revenue bonds authorized herein shall rank on a parity with the Outstanding Bonds; and

WHEREAS, the Common Council has been advised that it may be cost efficient to purchase municipal bond insurance and a debt service reserve surety for the bonds authorized herein; and

WHEREAS, the Common Council now finds that all conditions precedent to the adoption of an ordinance authorizing the issuance of revenue bonds have been complied with in accordance with the provisions of IC 5-1-5 and IC 8-1.5, each as in effect on the date of delivery of the bonds authorized herein (collectively, "Act");

NOW THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF BLOOMINGTON, INDIANA, THAT:

Sec 1. Issuance of Refunding Bonds; Redemption of Refunded Bonds; Definitions.

(a) The City, being the owner of and engaged in operating a municipal waterworks furnishing the public water supply to the City, its inhabitants, and the residents adjacent thereto, now finds it necessary to provide funds for refunding the Refunded Bonds thereby reducing its interest payments and effecting a savings, as reported by the City's financial advisor, O.W. Krohn & Associates. The terms "waterworks," "works," "system," and words of like import where used in this ordinance shall be construed to mean and include the Drinking Water System, as defined in Ordinance No. 01-42, and includes the existing waterworks system and all real estate and equipment used in connection therewith

and appurtenances thereto, and all extensions, additions and improvements thereto and replacements thereof now or at any time hereafter constructed or acquired.

(b) The City shall issue its "Waterworks Refunding Revenue Bonds of 2003" ("Refunding Bonds") in an aggregate principal amount not to exceed \$11,000,000 for the purpose of procuring funds to be applied to the refunding of the Refunded Bonds, the payment of costs of issuance and all other costs related to the refunding, including a premium for municipal bond insurance and a debt service reserve surety. The City shall apply moneys currently held for the payment of debt service on the Refunded Bonds to the refunding as provided in Section 7.

The Refunding Bonds shall be issued in the denomination of Five Thousand Dollars (\$5,000) each, or integral multiples thereof, numbered consecutively from 1 upward, and dated as of the first day of the month in which the Refunding Bonds are sold or delivered, or the date of delivery, as determined by the Controller with the advice of the City's financial advisor. Interest on the Refunding Bonds shall be payable semiannually on January 1 and July 1 in each year, beginning on the first January 1 or the first July 1 following delivery of the Refunding Bonds as designated by the Controller, with the advice of the City's financial advisor. The Refunding Bonds shall be sold at a price of not less than 98% of the par value thereof and shall be payable in lawful money of the United States of America, at the principal office of the Paying Agent (as hereinafter defined). Such Refunding Bonds shall bear interest at a rate or rates not exceeding 6% per annum and shall mature semiannually, or shall be subject to mandatory sinking fund redemption if term bonds are issued, on January 1 and July 1 of each year over a period ending no later than January 1, 2020 and in such amounts which will (i) produce as level annual debt service as practicable taking into account the annual debt service on the Outstanding Bonds, (ii) achieve the highest savings to the City with \$5,000 denominations, or (iii) achieve the highest savings to the City in the years up to and including January 1, 2009 with \$5,000 denominations.

Interest on the Refunding Bonds shall be calculated according to a 360-day calendar year containing twelve 30-day months.

All or a portion of the Refunding Bonds may be issued as one or more term bonds, upon election of the Underwriter (as hereinafter defined). Such term bonds shall have a stated maturity or maturities of January 1 or July 1, on the dates as determined by the Underwriter, but in no event later than the final serial maturity date of the Refunding Bonds as determined in accordance with the above paragraph. The term bonds shall be subject to mandatory sinking fund redemption and final payment(s) at maturity at 100% of the principal amount thereof, plus accrued interest to the redemption date, on principal payment dates which are hereinafter determined in accordance with the above paragraph.



Sec 2. Registrar and Paying Agent: Book-Entry Provisions. The Utility Service Board is hereby authorized to contract with a qualified financial institution to serve as Registrar and Paying Agent for the Refunding Bonds ("Registrar" or "Paying Agent"). The Registrar is hereby charged with the responsibility of authenticating the Refunding Bonds. The Director of the City of Bloomington Utilities is hereby authorized to enter into such agreements or understandings with the Registrar as will enable the institution to perform the services required of a registrar and paying agent. The Director of the City of Bloomington Utilities is further authorized to pay such fees as the Registrar may charge for the services it provides as Registrar and Paying Agent and such fees may be paid from the Waterworks Sinking Fund established to pay the principal of and interest on the Refunding Bonds as fiscal agency charges.

The principal of the Refunding Bonds shall be payable at the principal corporate trust office of the Paying Agent. All payments of interest on the Refunding Bonds shall be paid by check, mailed one business day prior to the interest payment date to the registered owners thereof as the names appear as of the fifteenth day of the month preceding the interest payment date and at the addresses as they appear on the registration books kept by the Registrar or at such other address as is provided to the Paying Agent in writing by such registered owner. If payment of principal or interest is made to a depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding business day. The Paying Agent shall be instructed to wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). All payments on the Refunding Bonds shall be made in any coin or currency of the United States of America, which on the date of such payment, shall be legal tender for the payment of public and private debts.

Each Refunding Bond shall be transferable or exchangeable only upon the books of the City kept for that purpose at the principal corporate trust office of the Registrar by the registered owner in person, or by its attorney duly authorized in writing, upon surrender of such Refunding Bond together with a written instrument of transfer or exchange satisfactory to the Registrar duly executed by the registered owner, or its attorney duly authorized in writing, and thereupon a new fully registered Refunding Bond or Refunding Bonds in an authorized aggregate principal amount and of the same maturity, shall be executed and delivered in the name of the transferee or transferees or the registered owner, as the case may be, in exchange therefor. The costs of such transfer or exchange shall be borne by the City. The City, Registrar and Paying Agent for the Refunding Bonds may treat and consider the person in whose name such Refunding Bonds are registered as the absolute owner thereof for all purposes including for the purpose of receiving payment of, or on account of, the principal thereof and interest due thereon.

The Registrar and Paying Agent may at any time resign as Registrar and Paying Agent upon giving thirty (30) days' notice in writing to the City and by first class mail to each registered owner of the Refunding Bonds then outstanding, and such resignation will take effect at the end of such thirty (30) day period or upon the earlier appointment of a successor registrar and paying agent by the City. Any such notice to the City may be served personally or sent by registered mail. The Registrar and Paying Agent may be removed at any time as Registrar and Paying Agent by the City, in which event the City may appoint a successor registrar and paying agent. The City shall notify each registered owner of the Refunding Bonds then outstanding by first class mail of the removal of the Registrar and Paying Agent. Notices to the registered owners of the Refunding Bonds shall be deemed to be given when mailed by first class mail to the addresses of such registered owners as they appear on the registration books kept by the Registrar.

Upon the appointment of any successor registrar and paying agent by the City, the Director of the City of Bloomington Utilities is authorized and directed to enter into such agreements and understandings with such successor registrar and paying agent as will enable the institution to perform the services required of a registrar and paying agent for the bonds. The Director of the City of Bloomington Utilities is further authorized to pay such fees as the successor registrar and paying agent may charge for the services it provides as registrar and paying agent and such fees may be paid from the Waterworks Sinking Fund continued in Section 13 hereof.

Any predecessor registrar and paying agent shall deliver all of the Refunding Bonds and any cash or investments in its possession with respect thereto, together with the registration books, to the successor registrar and paying agent.

Interest on the Refunding Bonds shall be payable from the interest payment date to which interest has been paid next preceding the authentication date of the Refunding Bonds unless the Refunding Bonds are authenticated after the fifteenth day of the month preceding an interest payment date and on or before such interest payment date in which case they shall bear interest from such interest payment date, or unless the Refunding Bonds are authenticated on or before the fifteenth day of the month preceding the first interest payment date, in which case they shall bear interest from the original date until the principal shall be fully paid.

The City has determined that it may be beneficial to the City to have the Refunding Bonds held by a central depository system pursuant to an agreement between the City and The Depository Trust Company, New York, New York ("Depository Trust Company") and have transfers of the Refunding Bonds effected by book-entry on the books of the central depository system ("Book Entry System"). The Refunding Bonds may be initially issued in the form of a separate single authenticated fully registered

Refunding Bond for the aggregate principal amount of each separate maturity of the Refunding Bonds. In such case, upon initial issuance, the ownership of such Refunding Bonds shall be registered in the register kept by the Registrar in the name of CEDE & CO., as nominee of the Depository Trust Company.

With respect to the Refunding Bonds registered in the register kept by the Registrar in the name of CEDE & CO., as nominee of the Depository Trust Company, the City and the Paying Agent shall have no responsibility or obligation to any other holders or owners (including any beneficial owner ("Beneficial Owner")) of the Refunding Bonds with respect to (i) the accuracy of the records of the Depository Trust Company, CEDE & CO., or any Beneficial Owner with respect to ownership questions, (ii) the delivery to any bondholder (including any Beneficial Owner) or any other person, other than the Depository Trust Company, of any notice with respect to the Refunding Bonds including any notice of redemption, or (iii) the payment to any bondholder (including any Beneficial Owner) or any other person, other than the Depository Trust Company, of any amount with respect to the principal of, or premium, if any, or interest on the Refunding Bonds except as otherwise provided herein.

No person other than the Depository Trust Company shall receive an authenticated Refunding Bond evidencing an obligation of the City to make payments of the principal of and premium, if any, and interest on the Refunding Bonds pursuant to this ordinance. The City and the Registrar and Paying Agent may treat as and deem the Depository Trust Company or CEDE & CO. to be the absolute bondholder of each of the Refunding Bonds for the purpose of (i) payment of the principal of and premium, if any, and interest on such Refunding Bonds; (ii) giving notices of redemption and other notices permitted to be given to bondholders with respect to such Refunding Bonds; (iii) registering transfers with respect to such Refunding Bonds; (iv) obtaining any consent or other action required or permitted to be taken of or by bondholders; (v) voting; and (vi) for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Refunding Bonds only to or upon the order of the Depository Trust Company, and all such payments shall be valid and effective fully to satisfy and discharge the City's and the Paying Agent's obligations with respect to principal of and premium, if any, and interest on the Refunding Bonds to the extent of the sum or sums so paid. Upon delivery by the Depository Trust Company to the City of written notice to the effect that the Depository Trust Company has determined to substitute a new nominee in place of CEDE & CO., and subject to the provisions herein with respect to consents, the words "CEDE & CO." in this ordinance shall refer to such new nominee of the Depository Trust Company. Notwithstanding any other provision hereof to the contrary, so long as any Refunding Bond is registered in the name of CEDE & CO., as nominee of the Depository Trust Company, all payments with respect to the principal of and premium, if any, and interest on such Refunding Bonds and all notices with respect to such Refunding Bonds shall be made and given,

respectively, to the Depository Trust Company as provided in a representation letter from the City to the Depository Trust Company.

Upon receipt by the City of written notice from the Depository Trust Company to the effect that the Depository Trust Company is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Depository Trust Company hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, then the Refunding Bonds shall no longer be restricted to being registered in the register of the City kept by the Registrar in the name of CEDE & CO., as nominee of the Depository Trust Company, but may be registered in whatever name or names the bondholders transferring or exchanging the Refunding Bonds shall designate, in accordance with the provisions of this ordinance.

If the City determines that it is in the best interest of the bondholders that they be able to obtain certificates for the fully registered Refunding Bonds, the City may notify the Depository Trust Company and the Registrar, whereupon the Depository Trust Company will notify the Beneficial Owners of the availability through the Depository Trust Company of certificates for the Refunding Bonds. In such event, the Registrar shall prepare, authenticate, transfer and exchange certificates for the Refunding Bonds as requested by the Depository Trust Company and any Beneficial Owners in appropriate amounts, and whenever the Depository Trust Company requests the City and the Registrar to do so, the Registrar and the City will cooperate with the Depository Trust Company by taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the fully registered Refunding Bonds of any Beneficial Owner's Depository Trust Company account or (ii) to arrange for another securities depository to maintain custody of certificates for and evidencing the Refunding Bonds.

If the Refunding Bonds shall no longer be restricted to being registered in the name of a Depository Trust Company, the Registrar shall cause said Refunding Bonds to be printed in blank in such number as the Registrar shall determine to be necessary or customary; provided, however, that the Registrar shall not be required to have such Refunding Bonds printed until it shall have received from the City indemnification for all costs and expenses associated with such printing.

In connection with any notice or other communication to be provided to bondholders by the City or the Registrar with respect to any consent or other action to be taken by bondholders, the City or the Registrar, as the case may be, shall establish a record date for such consent or other action and give the Depository Trust Company notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

So long as said Refunding Bonds are registered in the name of the Depository Trust Company or CEDE & CO. or any substitute nominee, the City and the Registrar and Paying Agent shall be entitled to

request and to rely upon a certificate or other written representation from the Beneficial Owners of the Refunding Bonds or from the Depository Trust Company on behalf of such Beneficial Owners stating the amount of their respective beneficial ownership interests in the Refunding Bonds and setting forth the consent, advice, direction, demand or vote of the Beneficial Owners as of a record date selected by the Registrar and the Depository Trust Company, to the same extent as if such consent, advice, direction, demand or vote were made by the bondholders for purposes of this ordinance and the City and the Registrar and Paying Agent shall for such purposes treat the Beneficial Owners as the bondholders. Along with any such certificate or representation, the Registrar may request the Depository Trust Company to deliver, or cause to be delivered, to the Registrar a list of all Beneficial Owners of the Refunding Bonds, together with the dollar amount of each Beneficial Owner's interest in the Refunding Bonds and the current addresses of such Beneficial Owners.

Sec 3. Redemption of Refunding Bonds. The Refunding Bonds are redeemable at the option of the City no earlier than July 1, 2013, and on any date thereafter, on thirty (30) days' notice, in whole or in part, in the order of maturity as determined by the City and by lot within a maturity, at face value, together with a premium no greater than 2%, plus in each case accrued interest to the date of redemption. The exact redemption features shall be negotiated with the Underwriter and shall be set forth in the hereinafter defined Purchase Contract.

If any Refunding Bond is issued as a term bond, the Paying Agent shall credit against the mandatory sinking fund requirement for the Refunding Bonds maturing as term bonds, and corresponding mandatory redemption obligation, in the order determined by the City, any Refunding Bonds maturing as term bonds which have previously been redeemed (otherwise than as a result of a previous mandatory redemption requirement) or delivered to the Registrar for cancellation or purchased for cancellation by the Paying Agent and not theretofore applied as a credit against any redemption obligation. Each Refunding Bond maturing as a term bond so delivered or cancelled shall be credited by the Paying Agent at 100% of the principal amount thereof against the mandatory sinking fund obligation on such mandatory sinking fund date, and any excess of such amount shall be credited on future redemption obligations, and the principal amount of the Refunding Bonds to be redeemed by operation of the mandatory sinking fund requirement shall be accordingly reduced; provided, however, the Paying Agent shall credit only such Refunding Bonds maturing as term bonds to the extent received on or before forty-five (45) days preceding the applicable mandatory redemption date.

Each \$5,000 of principal amount shall be considered a separate bond for purposes of optional and mandatory redemption. If less than an entire maturity is called for redemption, the Refunding Bonds to be called shall be selected by lot by the Registrar. If some Refunding Bonds are to be redeemed by optional

redemption and mandatory sinking fund redemption on the same date, the Registrar shall select by lot the Refunding Bonds for optional redemption before selecting the Refunding Bonds by lot for the mandatory sinking fund redemption.

In either case, notice of such redemption shall be given by mail at least thirty (30) days prior to the date fixed for redemption unless the notice is waived by the registered owner of a Refunding Bond. Such notice shall be mailed to the address of the registered owners as shown on the registration records of the City as of the date which is forty-five (45) days prior to such redemption date. The notice shall specify the date and place of redemption and sufficient identification of the Refunding Bonds called for redemption. The place of redemption shall be determined by the City. Interest on the Refunding Bonds so called for redemption shall cease on the redemption date fixed in such notice if sufficient funds are available at the principal office of the Paying Agent to pay the redemption price on the date so named. Coincidentally with the payment of the redemption price, the Refunding Bonds so called for redemption shall be surrendered for cancellation.

Sec 4. Execution and Negotiability. Each of the Refunding Bonds shall be executed in the name of the City by the manual or facsimile signature of its Mayor, countersigned by the manual or facsimile signature of its Controller and attested by the manual or facsimile signature of its Clerk, and the seal of the City shall be affixed, imprinted or impressed to or on each of the Refunding Bonds manually, by facsimile or any other means; and these officials, by the execution of a Signature and No Litigation Certificate, shall adopt as and for their own proper signatures the facsimile signatures appearing on the Refunding Bonds. In case any officer whose signature or facsimile signature appears on the Refunding Bonds shall cease to be such officer before the delivery of the Refunding Bonds, the signature of such officer shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

The Refunding Bonds shall have all of the qualities and incidents of negotiable instruments under the laws of the State of Indiana, subject to the provisions for registration herein.

The Refunding Bonds shall also be authenticated by the manual signature of the Registrar and no Refunding Bond shall be valid or become obligatory for any purpose until the certificate of authentication thereon has been so executed.

Sec 5. Form of Bonds. The form and tenor of the Refunding Bonds shall be substantially as follows, all blanks to be filled in properly prior to delivery:

[Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City of Bloomington or its agent for registration of transfer, exchange, or payment, and any certificate 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 INDIANA

COUNTY OF MONROE

CITY OF BLOOMINGTON  
WATERWORKS REFUNDING REVENUE  
BOND OF 2003

Interest Rate      Maturity Date      Original Date      Authentication Date      CUSIP

REGISTERED OWNER:

PRINCIPAL SUM:

The City of Bloomington, in Monroe County, State of Indiana, for value received, hereby promises to pay to the Registered Owner named above or registered assigns, solely out of the special revenue fund hereinafter referred to, the Principal Sum set forth above on the Maturity Date set forth above (unless this bond be subject to and be called for redemption prior to maturity as hereinafter provided), and to pay interest hereon at the Interest Rate per annum stated above from the interest payment date to which interest has been paid next preceding the Authentication Date of this bond unless this bond is authenticated after the fifteenth day of the month preceding an interest payment date and on or before such interest payment date in which case it shall bear interest from such interest payment date or unless this bond is authenticated on or before \_\_\_\_\_ 15, 200\_\_, in which case it shall bear interest from the Original Date, until the principal is paid, which interest is payable semiannually on the first days of January and July in each year, beginning on \_\_\_\_\_ 1, 200\_\_. Interest on the bonds shall be calculated according to a 360-day calendar year containing twelve 30-day months.

The principal of this bond is payable at the principal office of \_\_\_\_\_ ("Registrar" or "Paying Agent"), in the \_\_\_\_\_ of \_\_\_\_\_, Indiana. All payments of interest on this bond shall be paid by check, mailed one business day prior to the interest payment date to the registered owner hereof as of the fifteenth day of the month preceding such interest payment date at the address as it appears on the registration books kept by the Registrar or at such other address as is provided to the Paying Agent in writing by the registered owner. If payment of principal or interest is made to a depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding business day. The Paying Agent shall wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). All payments on the bond shall be made in any coin or currency of the United States of America, which on the dates of such payment shall be legal tender for the payment of public and private debts.

[The bonds shall be initially issued in a Book-Entry System (as defined in the Ordinance). The provisions of this bond and of the Ordinance are subject in all respects to the provisions of the Letter of Representations between the City and DTC, or any substitute agreement, effecting such Book Entry System.]

THE CITY SHALL NOT BE OBLIGATED TO PAY THIS BOND OR THE INTEREST HEREON EXCEPT FROM THE HEREINAFTER DESCRIBED SPECIAL FUND, AND NEITHER THIS BOND NOR THE ISSUE OF WHICH IT IS A PART SHALL IN ANY RESPECT CONSTITUTE A CORPORATE INDEBTEDNESS OF THE CITY WITHIN THE PROVISIONS AND LIMITATIONS OF THE CONSTITUTION OF THE STATE OF INDIANA.

The terms and provisions of this bond are continued on the reverse side hereof and such terms and provisions shall for all purposes have the same effect as though fully set forth at this place.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the execution, issuance and delivery of this bond have been done and performed in regular and due form as provided by law.

This bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been executed by an authorized representative of the Registrar.

IN WITNESS WHEREOF, the City of Bloomington, in Monroe County, Indiana, has caused this bond to be executed in its corporate name by the manual or facsimile signature of the Mayor, countersigned manually or by facsimile by the Controller, its corporate seal to be hereunto affixed, imprinted or impressed by any means and attested manually or by facsimile by its Clerk.

CITY OF BLOOMINGTON, INDIANA

\_\_\_\_\_  
JOHN FERNANDEZ, Mayor  
City of Bloomington

Countersigned:

\_\_\_\_\_  
THOMAS GUEVARA, Controller  
City of Bloomington

[SEAL]

ATTEST:

\_\_\_\_\_  
REGINA MOORE, Clerk  
City of Bloomington

**REGISTRAR'S CERTIFICATE OF AUTHENTICATION**

This bond is one of the bonds described in the within-mentioned Ordinance.

\_\_\_\_\_  
as Registrar

By \_\_\_\_\_  
Authorized Representative

(To be printed on Reverse Side)



This bond is one of an authorized issue of bonds of the City of Bloomington of like date, tenor and effect, except as to rates of interest and dates of maturity; aggregating \_\_\_\_\_ Dollars (\$\_\_\_\_\_); numbered consecutively from 1 up; issued for the purpose of refunding certain Refunded Bonds (as defined in the hereinafter defined Ordinance) and to pay incidental expenses[, including premiums for municipal bond insurance and a debt service reserve surety]. This bond is issued pursuant to an Ordinance adopted by the Common Council of said City on the \_\_\_\_\_ day of \_\_\_\_\_, 2003, entitled "An Ordinance concerning the refunding by the City of Bloomington of its Waterworks Refunding Revenue Bonds of 1993 and its Waterworks Revenue Bonds of 1995; authorizing the issuance of waterworks refunding revenue bonds for such purpose; providing for the collection, segregation and distribution of the revenues of the waterworks and the safeguarding of the interests of the owners of the waterworks refunding revenue bonds authorized herein; other matters connected therewith; and repealing ordinances inconsistent herewith" ("Ordinance"), and in accordance with the provisions of Indiana law, including without limitation Indiana Code 5-1-5 and Indiana Code 8-1.5, each as in effect on the date of delivery of the bonds (hereinafter collectively, "Act"), the proceeds of which bonds are to be applied solely to said refunding of the Refunded Bonds, including the incidental expenses incurred in connection therewith[, and premiums for municipal bond insurance and a debt service reserve surety].

Pursuant to the provisions of the Act and the Ordinance, the principal of and interest on this bond and all other bonds of said issue, and any bonds hereafter issued on a parity therewith are payable solely from the Waterworks Sinking Fund continued by the Ordinance ("Sinking Fund") to be provided from the Net Revenues (defined as the gross revenues of the waterworks of the City after deduction only for the payment of the reasonable expenses of operation and maintenance) of the waterworks of the City. The payment of this bond ranks on a parity with the payment of the Outstanding Bonds (as defined in the Ordinance).

Pursuant to the Ordinance and the Escrow Agreement defined therein, the City of Bloomington has set aside securities (purchased from proceeds of the bonds of this issue and funds on hand of the City) and certain cash in a Trust Account to provide payment of principal of and interest and redemption premium on the Refunded Bonds by the purchase of obligations of the United States of America.

The City of Bloomington irrevocably pledges the entire Net Revenues of the waterworks to the prompt payment of the principal of and interest on the bonds authorized by the Ordinance, of which this is one, and any bonds ranking on a parity therewith, including the Outstanding Bonds, to the extent necessary for that purpose, and covenants that it will cause to be fixed, maintained and collected such rates and charges for services rendered by the utility as are sufficient in each year for the payment of the proper and reasonable expenses of Operation and Maintenance (as defined in the Ordinance) of the waterworks and for the payment of the sums required to be paid into the Sinking Fund under the provisions of the Act and the Ordinance. The rates and charges shall be established, to the extent permitted by law, to produce Net Revenues sufficient to pay at least 1.20 times the annual debt service on the Outstanding Bonds, the bonds of this issue and any bonds hereafter issued on a parity herewith. If the City or the proper officers thereof shall fail or refuse to so fix, maintain and collect such rates or charges, or if there be a default in the payment of the interest on or principal of this bond, the owner of this bond shall have all of the rights and remedies provided for under Indiana law.

The City of Bloomington further covenants that it will set aside and pay into its Sinking Fund monthly, as available, or more often if necessary, a sufficient amount of the Net Revenues of the works for payment of (a) the interest on all bonds which by their terms are payable from the revenues of the waterworks, as such interest shall fall due, (b) the necessary fiscal agency charges for paying bonds and interest, (c) the principal of all bonds which by their terms are payable from the revenues of the waterworks, as such principal shall fall due, and (d) an additional amount as a margin of safety to maintain the debt service reserve required by the Ordinance. Such required payments shall constitute a first charge upon all the Net Revenues of the waterworks, on a parity with the aforementioned Outstanding Bonds.

The bonds of this issue maturing on or after \_\_\_\_\_ 1, 20\_\_\_\_, are redeemable at the option of the City on \_\_\_\_\_, 20\_\_\_\_, or any date thereafter, on

thirty (30) days' notice, in whole or in part, in the order of maturity as determined by the City and by lot within a maturity, at face value, together with the following premiums:

\_\_\_\_% if redeemed on \_\_\_\_\_ 1, 20\_\_\_\_,  
or thereafter on or before \_\_\_\_\_, 20\_\_\_\_;  
\_\_\_\_% if redeemed on \_\_\_\_\_ 1, 20\_\_\_\_,  
or thereafter on or before \_\_\_\_\_, 20\_\_\_\_;  
0% if redeemed on \_\_\_\_\_ 1, 20\_\_\_\_,  
or thereafter prior to maturity;

plus accrued interest to the date fixed for redemption.

[The bonds maturing on \_\_\_\_\_ 1, \_\_\_\_\_ are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, on the dates and in the amounts set forth below:

<u>Date</u>	<u>Amount</u>
-------------	---------------

\*

**\*Final Maturity]**

Each Five Thousand Dollars (\$5,000) principal amount shall be considered a separate bond for purposes of optional [and mandatory] redemption. If less than an entire maturity is called for redemption, the bonds to be redeemed shall be selected by lot by the Registrar. [If some bonds are to be redeemed by optional redemption and mandatory sinking fund redemption on the same date, the Registrar shall select by lot the bonds for optional redemption before selecting the bonds by lot for the mandatory sinking fund redemption.]

[In either case,] Notice of such redemption shall be mailed to the address of the registered owner as shown on the registration records of the City as of the date which is forty-five (45) days prior to such redemption date not less than thirty (30) days prior to the date fixed for redemption unless the notice is waived by the registered owner of this bond. The notice shall specify the date and place of redemption and sufficient identification of the bonds called for redemption. The place of redemption may be determined by the City. Interest on the bonds so called for redemption shall cease on the redemption date fixed in such notice if sufficient funds are available at the place of redemption to pay the redemption price on the date so named.

If this bond shall not be presented for payment or redemption on the date fixed therefor, the City may deposit in trust with its depository bank, an amount sufficient to pay such bond or the redemption price, as the case may be, and thereafter the registered owner shall look only to the funds so deposited in trust with said bank for payment and the City shall have no further obligation or liability in respect thereto.

This bond is transferable or exchangeable only upon the books of the City kept for that purpose at the principal corporate trust office of the Registrar by the registered owner hereof in person, or by his attorney duly authorized in writing, upon surrender of this bond together with a written instrument of transfer or exchange satisfactory to the Registrar duly executed by the registered owner, or his attorney duly authorized in writing, and thereupon a new fully registered bond or bonds in an authorized aggregate principal amount and of the same maturity, shall be executed and delivered in the name of the transferee or transferees or to the registered owner, as the case may be, in exchange therefor. The City, the Registrar, the Paying Agent and any other registrar or paying agent for this bond may treat and consider the person in whose name this bond is registered as the absolute owner hereof for all purposes including for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon.

This bond is subject to defeasance prior to redemption or payment as provided in the Ordinance referred to herein. THE OWNER OF THIS BOND, BY THE ACCEPTANCE HEREOF, HEREBY AGREES TO ALL THE TERMS AND PROVISIONS CONTAINED IN THE ORDINANCE. The Ordinance may be amended without the consent of the owners of the bonds as provided in the Ordinance if the Common Council determines, in its sole discretion, that the amendment shall not adversely affect the rights of any of the owners of the bonds.

The bonds do not qualify for the \$10,000,000 exception from the provisions of Section 265(b) of the Internal Revenue Code of 1986 relating to the disallowance of 100% of the deduction for interest expense allocable to tax-exempt obligations.

The bonds maturing in any one year are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof.

[STATEMENT OF INSURANCE]

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ this bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to transfer the within bond in the books kept for the registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a Securities Transfer Association recognized signature guarantee program.

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

Sec 6. Authorization for Preparation and Sale of the Refunding Bonds; Municipal Bond Insurance and Debt Service Reserve Surety. (a) The Controller is hereby authorized and directed to have the Refunding Bonds prepared, and the Mayor, the Controller and the Clerk are hereby authorized and directed to execute and attest the Refunding Bonds in the form and manner provided herein. The Controller is hereby authorized and directed to deliver the Refunding Bonds to a purchaser to be selected by the Director of the City of Bloomington Utilities, with the advice of the City's financial advisor ("Underwriter"), in accordance with the Purchase Contract ("Purchase Contract") between the City and the Underwriter. The substantially final form of Purchase Contract between the City and the Underwriter is attached hereto and is hereby approved by the Common Council. The Mayor, the Controller and the Clerk are authorized to execute the Purchase Contract and deliver the Refunding Bonds to the Underwriter so long as their terms are consistent with this ordinance. Such Purchase Contract shall establish a final principal amount, interest rates, maturity schedule, optional redemption features, and term bond mandatory redemptions, if any.

(b) The Controller is hereby authorized to appoint a financial institution to serve as escrow trustee ("Escrow Trustee") for the Refunded Bonds in accordance with the terms of the Escrow Agreement between the City and the Escrow Trustee ("Escrow Agreement"). The substantially final form of Escrow Agreement attached hereto is hereby approved by the Common Council, and the Mayor, the Controller and the Clerk are hereby authorized and directed to complete, execute and attest the same on behalf of the City so long as its provisions are consistent with this ordinance.

(c) The Refunding Bonds, when fully paid for and delivered to the Underwriter, shall be the binding special revenue obligations of the City, payable out of the Net Revenues (herein defined as gross revenues of the waterworks of the City after deduction only for the payment of the reasonable expenses of operation and maintenance) of the waterworks, on a parity with the Outstanding Bonds, to be set aside into the Waterworks Sinking Fund continued in Section 13. The proper officers of the City are hereby directed to sell the Refunding Bonds to the Underwriter, to draw all proper and necessary warrants and to do whatever acts and things which may be necessary to carry out the provisions of this ordinance.

(d) The execution, by either the Mayor, the Controller, the Clerk, the financial advisor to the City or the Underwriter, of a subscription for United States Treasury Obligations--State and Local Government Series for investments of proceeds of the Refunding Bonds which may be held under the Escrow Agreement in a manner consistent with this ordinance is hereby approved.

(e) Distribution of an Official Statement (preliminary and final) prepared by O.W. Krohn & Associates, on behalf of the City, is hereby approved and the Mayor, the Controller or the Clerk is authorized and directed to execute the Official Statement on behalf of the City in a form consistent with this ordinance and the Purchase Contract. The Mayor, the Controller or the Clerk is hereby authorized to designate the Official Statement as "nearly final" for purposes of Rule 15c2-12 as promulgated by the Securities and Exchange Commission.

(f) In the event the financial advisor to the City certifies to the City that it would be economically advantageous for the City to obtain a municipal bond insurance policy for the Refunding Bonds herein authorized, the City hereby authorizes the purchase of such an insurance policy. The acquisition of a municipal bond insurance policy is hereby deemed economically advantageous in the event the difference between the present value cost of (a) the total debt service on the Refunding Bonds if issued without municipal bond insurance and (b) the total debt service on the Refunding Bonds if issued with municipal bond insurance, is greater than the cost of the premium on the municipal bond insurance policy. If such an insurance policy is purchased, the Mayor, the Controller and the Clerk are hereby authorized to execute and deliver all agreements with the provider of the policy to the extent necessary to comply with the terms of such insurance policy and the commitment to issue such policy.

(g) A debt service reserve surety may be purchased by the City to satisfy, in whole or in part, the Debt Service Reserve Account for the Refunding Bonds issued under this ordinance. The City is authorized to execute and deliver the necessary agreements with the bond insurer providing for, among other things, the reimbursement to the bond insurer of amounts drawn under the debt service reserve surety. The Mayor, the Controller, the Clerk or the Director of the City of Bloomington Utilities are

hereby authorized and directed to complete, execute and attest the agreement pertaining to the debt service reserve surety on behalf of the City so long as its provisions are consistent with this ordinance. The cost of obtaining a debt service reserve surety shall be considered as a part of the cost of issuance of the Refunding Bonds and shall be paid out of the proceeds of the Refunding Bonds or out of other funds of the waterworks.

Sec 7. Refunding of the Refunded Bonds and Costs of Issuance. Concurrently with the delivery of the Refunding Bonds, the Controller shall acquire, with the proceeds of the Refunding Bonds and cash on hand, direct obligations of, or obligations the principal and interest on which are unconditionally guaranteed by, the United States of America ("Government Obligations") to be used, together with certain cash from the proceeds of the Refunding Bonds and cash on hand as set forth in the Escrow Agreement, to refund and legally defease the Refunded Bonds all as set forth in the Escrow Agreement. In order to refund the Refunded Bonds, the Controller shall deposit Government Obligations and certain cash with the Escrow Trustee under the Escrow Agreement in an amount sufficient to provide money for payment of the principal of and interest and redemption premiums on the Refunded Bonds from the date of delivery of the Refunding Bonds until the earliest dates upon which the Refunded Bonds may each be called for redemption.

Costs of issuance of the Refunding Bonds not otherwise paid shall be paid from the remaining proceeds by the Controller. When all the costs of issuance of the Refunding Bonds have been paid, the Controller shall then transfer any amount then remaining from the proceeds of the Refunding Bonds to the Waterworks Sinking Fund.

The Controller shall obtain a verification of an accountant as to the sufficiency of the funds deposited in the Trust Account under the Escrow Agreement to accomplish said refunding and legal defeasance of the Refunded Bonds.

Sec 8. Accrued Interest. The accrued interest received at the time of delivery of the Refunding Bonds, if any, shall be deposited in the Waterworks Sinking Fund continued in Section 13.

Sec 9. Financial Records and Accounts; Continuing Disclosure. The City shall keep proper records and books of account, separate from all of its other records and accounts, in which complete and correct entries shall be made showing all revenues received on account of the operation of the waterworks and all disbursements made therefrom and all transactions relating to the utility. Copies of all such statements and reports shall be kept on file in the office of the Director of the City of Bloomington Utilities. The substantially final form of Continuing Disclosure Undertaking Agreement ("Agreement") attached hereto is hereby approved by the Common Council, and the Mayor or the Controller are hereby

authorized and directed to complete, execute and attest the same on behalf of the City. Notwithstanding any other provisions of this ordinance, failure of the City to comply with the Agreement shall not be considered an event of default under the Refunding Bonds or this ordinance.

Sec 10. Pledge of Net Revenues. The interest on and the principal of the Refunding Bonds issued pursuant to the provisions of this ordinance, and any bonds hereafter issued on a parity therewith, shall constitute a first charge on all the Net Revenues, on a parity with the Outstanding Bonds, and such Net Revenues are hereby irrevocably pledged to the payment of the interest on and principal of such Refunding Bonds, to the extent necessary for that purpose.

Sec 11. Revenue Fund. All revenues derived from the operation of the waterworks and from the collection of water rates and charges shall be deposited in the Revenue Fund, hereby continued, and segregated and deposited as set forth in this ordinance. Of these revenues, the proper and reasonable expenses of operation and maintenance of the works shall be paid, the requirements of the Sinking Fund shall be met and fiscal agency charges of registrars and paying agents shall be paid, and the costs of replacements, extensions, additions and improvements shall be paid.

Sec 12. Operation and Maintenance Fund. (a) There is hereby continued a fund known as the Operation and Maintenance Fund consisting of a General Account ("General Account").

(b) On the last day of each calendar month, revenues of the waterworks shall be transferred from the Revenue Fund to the General Account. The balance maintained in this Account shall be sufficient to pay the expenses of operation and maintenance for the then next succeeding two calendar months. The moneys credited to this Account shall be used for the payment of the reasonable and proper operation and maintenance expenses of the waterworks on a day-to-day basis, but none of the moneys in such Account shall be used for depreciation, payments in lieu of taxes, replacements, improvements, extensions or additions. Any moneys in said Account may be transferred to the Waterworks Sinking Fund if necessary to prevent a default in the payment of principal of or interest on the outstanding bonds of the waterworks.

(c) All remaining revenues of the waterworks shall be transferred from time to time to meet the requirements of the Waterworks Sinking Fund. Moneys in excess of those transferred to the Waterworks Sinking Fund may be transferred to the Waterworks Improvement Fund or may be retained in the General Account, in the discretion of the Utility Service Board, and in a manner consistent with the requirements of this ordinance.

Sec 13. Waterworks Sinking Fund. (a) The special fund designated "Waterworks Sinking Fund," is hereby continued for the payment of the principal of and interest on all outstanding revenue bonds which by their terms are payable from the Net Revenues of the waterworks, and the payment of any

fiscal agency charges in connection with the payment of bonds (herein, "Waterworks Sinking Fund" or "Sinking Fund"). There shall be set aside and deposited in the Sinking Fund, as available, and as hereinafter provided, a sufficient amount of the Net Revenues of the waterworks to meet the requirements of the Bond and Interest Account and Debt Service Reserve Account hereby continued in the Sinking Fund. Such payments shall continue until the balances in the Bond and Interest Account and the Debt Service Reserve Account equal the principal of and interest on all of the then outstanding bonds of the waterworks to their final maturity and provide for payment of all fiscal agency charges.

(b) Bond and Interest Account. Any moneys heretofore accumulated to pay principal and interest for the Refunded Bonds shall be credited to and become a part of the Trust Account under the Escrow Agreement and shall be applied on the first payments made from the Trust Account. There shall be credited on the last day of each calendar month to the Bond and Interest Account, hereby continued, an amount of the Net Revenues equal to (i) at least one-sixth (1/6) of the interest on all then outstanding bonds payable on the then next succeeding interest payment date and (ii) at least one-sixth (1/6) of the principal of all then outstanding bonds payable on the then next succeeding principal payment date, until the amount of interest and principal payable on the then next succeeding interest and principal payment date shall have been so credited. There shall similarly be credited to the Account any amount necessary to pay the bank fiscal agency charges for paying principal and interest on outstanding bonds as the same become payable. The City shall, from the sums deposited in the Sinking Fund and credited to the Bond and Interest Account, remit promptly to the registered owner or to the bank fiscal agency sufficient moneys to pay the interest and principal on the due dates thereof together with the amount of bank fiscal agency charges.

(c) Debt Service Reserve Account. There is hereby continued, within the Sinking Fund, the Debt Service Reserve Account ("Reserve Account"). The City has purchased a debt service reserve surety as a reserve for the 2000 Bonds which is held in the Reserve Account. The City will either purchase a debt service reserve surety or will deposit cash in the Reserve Account in the amount of the Reserve Requirement (as defined in the Ordinance 01-42) as a reserve for the 2003 Bonds. For the Refunding Bonds issued under this ordinance, the City shall purchase a debt service reserve surety, use Refunding Bond proceeds, funds on hand, or a combination thereof, to fund the Reserve Account. Upon the issuance of the Refunding Bonds, the Reserve Account shall contain an amount equal to the least of (i) the maximum annual debt service on the Refunding Bonds, (ii) 125% of average annual debt service on the Refunding Bonds or (iii) 10% of the proceeds of the Refunding Bonds ("2003 Reserve Requirement"); provided, that the total balance to be maintained in the Reserve Account (taking into

account the debt service reserve sureties and cash, if any, held therein) shall not be less than the maximum annual debt service on the Outstanding Bonds and the Refunding Bonds.

The Reserve Account shall constitute the margin for safety and protection against default in the payment of principal of and interest on the Refunding Bonds and the Outstanding Bonds, and the moneys in the Reserve Account shall only be used to pay current principal and interest on the Refunding Bonds and the Outstanding Bonds to the extent that moneys in the Bond and Interest Account are insufficient for that purpose. If it becomes necessary to draw upon the Reserve Account to pay the Outstanding Bonds or the Refunding Bonds, the City shall first draw down the cash in the Reserve Account, if any, and next initiate draws on the surety bonds, on a pro rata basis, to meet such payments when due. Notwithstanding the foregoing sentence, if the Reserve Requirement for the Refunding Bonds is funded in whole or in part, with cash rather than a surety bond, the City shall, if necessary to pay principal of or interest on the Refunding Bonds, use the cash in the Reserve Account to pay such Refunding Bonds on the same basis as draws are made on the surety bonds to pay the principal of or interest on the Outstanding Bonds and the Refunding Bonds. Any deficiency in the balance maintained in the Reserve Account shall be made up from the next available Net Revenues remaining after credits into the Bond and Interest Account. In the event moneys in the Reserve Account are transferred to the Bond and Interest Account to pay principal and interest on the Refunding Bonds or Outstanding Bonds, respectively, then such depletion of the balance in the Reserve Account shall be made up from the next available Net Revenues after the credits into the Bond and Interest Account. No moneys shall be held in the Reserve Account in excess of the Reserve Requirement. Any moneys in the Reserve Account in excess of its requirements shall be transferred to the Waterworks Improvement Fund. The Common Council has determined, based upon the advice of its financial advisor, that the Reserve Account is reasonably required and that the 2003 Reserve Requirement is no larger than necessary to market the Refunding Bonds. The Common Council further finds that the Reserve Account is directly related to the refunding of the Refunded Bonds since the Refunding Bonds could not be issued to fund the refunding without the Reserve Account.

Sec 14. Waterworks Improvement Fund. As set forth in Section 12(c), revenues may be transferred or credited from the General Account to the "Waterworks Improvement Fund" hereby continued. The Waterworks Improvement Fund shall be used for improvements, replacements, additions and extensions of the waterworks, for payment in lieu of taxes, and in the discretion of the Utility Service Board, for any other lawful purpose related to the waterworks. Moneys in the Waterworks Improvement Fund shall be transferred to the Sinking Fund if necessary to prevent a default in the payment of principal of and interest on any outstanding bonds of the waterworks or, if necessary, to eliminate any deficiencies



in credits to or minimum balance in the Reserve Account of the Sinking Fund or may be transferred to the Operation and Maintenance Fund to meet unforeseen contingencies in the operation and maintenance of the waterworks.

Sec 15. Priority of Payments. All revenues of the waterworks shall be paid in the following order, with the priority as indicated:

- (1) First to pay all expenses of the operation and maintenance of the waterworks;
- (2) Second, on a pari passu (parity) basis, to pay all principal of and interest on the Outstanding Bonds, the Refunding Bonds and any bonds hereafter issued which rank on a parity with the Refunding Bonds;
- (3) Third, on a pari passu (parity) basis, to replenish any cash drawn from the Reserve Account if the Reserve Requirement (as defined in Ordinance No. 01-42) for the 2003 Bonds or the 2003 Reserve Requirement for the Refunding Bonds is satisfied, in whole or in part, with cash and to replenish any sureties in place for either the Outstanding Bonds or the Refunding Bonds;
- (4) Fourth to replenish any other cash drawn, if any, from the Reserve Account;
- (5) Fifth to pay the costs of improvements, replacements, additions and extensions of the waterworks and for payments in lieu of taxes; and
- (6) All other lawful uses related to the waterworks, including debt service payments on any junior and subordinate bonds.

Sec 16. Maintenance of Funds; Investments. The Sinking Fund shall be deposited in and maintained as a separate account or accounts from all other accounts of the City. The Operation and Maintenance Fund and the Improvement Fund may be maintained in a single account, or accounts, but such account, or accounts, shall likewise be maintained separate and apart from all other accounts of the City and apart from the Sinking Fund account or accounts. All moneys deposited in the accounts shall be deposited, held and secured as public funds in accordance with the public depository laws of the State of Indiana; provided that moneys therein may be invested in obligations in accordance with the applicable laws, including particularly Indiana Code, Title 5, Article 13, as amended or supplemented, and in the event of such investment the income therefrom shall become a part of the funds invested and shall be used only as provided in this ordinance.

Sec 17. Defeasance of the Refunding Bonds. If, when the Refunding Bonds or a portion thereof shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Refunding Bonds or a portion thereof for redemption shall have been given, and the whole amount of the principal and the interest and the premium, if any, so

due and payable upon all of the Refunding Bonds or a portion thereof then outstanding shall be paid; or (i) sufficient moneys or (ii) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury, the principal of and the interest on which when due will provide sufficient moneys for such purpose, shall be held in trust for such purpose, and provision shall also be made for paying all fees and expenses for the redemption, then and in that case the Refunding Bonds or any designated portion thereof issued hereunder shall no longer be deemed outstanding or entitled to the pledge of the Net Revenues of the City's waterworks.

Sec 18. Rate Covenant. The City shall establish, maintain and collect reasonable and just and equitable rates and charges for facilities and services afforded and rendered by said water utility, which shall to the extent permitted by law produce sufficient revenues at all times to pay all the legal and other necessary expense incident to the operation of such utility, to include maintenance costs, operating charges, upkeep, repairs, interest charges on bonds or other obligations, to provide for the proper Operation and Maintenance (as defined in Ordinance No 01-42) of the waterworks, to provide the sinking fund and debt service reserve for the liquidation of bonds or other evidences of indebtedness, to provide adequate funds to be used as working capital, as well as funds for making extensions, additions, and replacements, and also, for the payment of any taxes that may be assessed against such utility, it being the intent and purpose hereof that such charges shall produce an income sufficient to maintain such utility property in a sound physical and financial condition to render adequate and efficient service. The rates and charges shall be established to the extent permitted by law, to produce Net Revenues sufficient to pay 1.20 times the annual debt service on the Outstanding Bonds, the Refunding Bonds, and bonds hereafter issued on a parity herewith. For purposes of this Section 18, Net Revenues exclude any outstanding fund balances from prior years. So long as any of the Refunding Bonds herein authorized are outstanding, none of the facilities or services afforded or rendered by said system shall be furnished without a reasonable and just charge being made therefor. The City shall pay like charges for any and all services rendered by said utility to the City, and all such payments shall be deemed to be revenues of the utility. Such rates or charges shall, if necessary, be changed and readjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of operation and maintenance and the requirements of the Sinking Fund.

Sec 19. Additional Bond Provisions. The City reserves the right to authorize and issue additional bonds payable out of the revenues of its waterworks ranking on a parity with the Refunding Bonds for the purpose of financing the cost of future additions, extensions and improvements to its waterworks, or to refund obligations, subject to the following conditions:

(a) All required payments into the Sinking Fund shall have been made in accordance with the provisions of this ordinance, and the interest on and principal of all bonds payable from the Net Revenues of the waterworks shall have been paid in accordance with their terms. The Reserve Account must contain, for all outstanding bonds, upon the issuance of additional parity bonds, (i) the reserve requirement for all outstanding bonds or (ii) reserve insurance must be obtained for all outstanding bonds, and for the additional parity bonds, the Reserve Account must contain, upon the issuance of additional parity bonds, (i) the lesser of (1) maximum annual debt service on the additional parity bonds, (2) 125% of average annual debt service on the additional parity bonds, or (3) 10% of the proceeds of the additional parity bonds or (ii) reserve insurance must be attained for the additional parity bonds. For purposes of this subsection, proceeds of the additional parity bonds shall mean the face amount of the additional parity bonds plus premium, if any, less original issue discount, if any. As long as the surety bond for the 2000 Bonds is in effect, only a Qualified Surety Bond (as defined in Ordinance No. 01-42) may be used as reserve insurance, and, for so long as the Outstanding Bonds are outstanding, any surety bond for the reserve must be from a company, and in a form, acceptable to the State of Indiana.

(b) The Net Revenues of the waterworks in the calendar year immediately preceding the issuance of any such bonds ranking on a parity with the Refunding Bonds shall be not less than one hundred twenty-five percent (125%) of the maximum annual interest and principal requirements of the then outstanding bonds and the additional parity bonds proposed to be issued; or, prior to the issuance of the parity bonds the water rates and charges shall be increased sufficiently so that the increased rates and charges applied to the previous calendar year's operations would have produced Net Revenues for said year equal to not less than one hundred twenty-five percent (125%) of the maximum annual interest and principal requirements of all bonds payable from the revenues of the waterworks, including the additional parity bonds proposed to be issued. For purposes of this subsection, the records of the waterworks shall be analyzed and all showings prepared by a certified public accountant or nationally recognized financial consultant or consulting engineer employed by the City for that purpose. For purposes of this subsection, Net Revenues shall not include non-recurring revenues of the waterworks as certified by the Utility Service Board or any outstanding fund balances from prior years.

(c) The interest on the additional parity bonds shall be payable semiannually on the first days of January and July and the principal on, or mandatory sinking fund redemption dates for, the additional parity bonds shall be payable semiannually on the first days of January and July.

(d) So long as the Outstanding Bonds are outstanding, (i) the City obtains the consent of the State of Indiana, (ii) the City has faithfully performed and is in compliance with each of its obligations,

agreements and covenants contained in the Financial Assistance Agreement (as defined in Ordinance No. 01-42) and this ordinance, and (iii) the City is in compliance with its waterworks permits, except for non-compliance for which purpose the parity bonds are issued, including refunding bonds issued prior to, but part of the overall plan to eliminate such non-compliance.

(e) To the extent required by law, the issuance of additional bonds and any necessary increase in water rates and charges shall be approved by the Indiana Utility Regulatory Commission.

Sec 20. Further Covenants of the City: Maintenance, Insurance, Pledge Not To Encumber, Subordinate Indebtedness, and Contract with Bondholders. For the purpose of further safeguarding the interests of the owners of the Refunding Bonds, it is hereby specifically provided as follows:

(a) So long as any of the Refunding Bonds are outstanding, the City shall at all times maintain the waterworks system in good condition, and operate the same in an efficient manner and at a reasonable cost.

(b) So long as any of the Refunding Bonds are outstanding, the City shall maintain insurance on the insurable parts of the system, of a kind and in an amount such as is usually carried by private corporations engaged in a similar type of business. So long as the Outstanding Bonds are outstanding, the insurance shall be acceptable to the State of Indiana. All insurance shall be placed with responsible insurance companies qualified to do business under the laws of the State of Indiana.

All insurance proceeds shall be used either in replacing or restoring the property destroyed or damaged, or shall be deposited in the Sinking Fund.

(c) So long as any of the Refunding Bonds are outstanding, the City shall not mortgage, pledge or otherwise encumber the property and plant of its waterworks system, or any part thereof, and shall not sell, lease or otherwise dispose of any part of the same, excepting only such machinery, equipment or other property as may be replaced, or shall no longer be necessary for use in connection with said utility, and so long as any Outstanding Bonds are outstanding, the City shall obtain the prior written consent of the State of Indiana.

(d) So long as the Outstanding Bonds are outstanding, the City shall not borrow any money, enter into any contract or agreement or incur any other liabilities in connection with the waterworks, other than for normal operating expenditures, without the prior written consent of the State of Indiana if such undertaking would involve, commit or use the revenues of the waterworks.

(e) Except as otherwise specifically provided in Section 19 of this ordinance, so long as any of the Refunding Bonds are outstanding, no additional bonds or other obligations pledging any portion of the revenues of the waterworks shall be authorized, issued or executed by the City, except such as shall be

made junior and subordinate in all respects to the Refunding Bonds, unless all of the Refunding Bonds are redeemed or defeased coincidentally with the delivery of such additional bonds or other obligations.

(f) The provisions of this ordinance shall constitute a contract by and between the City and the owners of the Refunding Bonds herein authorized, all the terms of which shall be enforceable by any bondholder by any and all appropriate proceedings in law or in equity. After the issuance of the Refunding Bonds, this ordinance shall not be repealed, amended or modified in any respect which will adversely affect the rights or interests of the owners of the Refunding Bonds, nor shall the Common Council or any other body of the City adopt any law, ordinance or resolution in any way adversely affecting the rights of the bondholders so long as any of the Refunding Bonds, or the interest thereon, remain outstanding or unpaid. Except in the case of changes described in Section 21(a)-(f), this ordinance may be amended, however, without the consent of bondowners, if the Common Council determines, in its sole discretion, that such amendment would not adversely affect the owners of the Refunding Bonds.

(g) The provisions of this ordinance shall be construed to create a trust in the proceeds of the sale of the Refunding Bonds herein authorized for the uses and purposes herein set forth, and the owners of the Refunding Bonds shall retain a lien on such proceeds until the same are applied in accordance with the provisions of this ordinance and of said governing Act. The provisions of this ordinance shall also be construed to create a trust in the Net Revenues herein directed to be set apart and paid into the Sinking Fund for the uses and purposes of that Fund as in this ordinance set forth. The owners of the Refunding Bonds shall have all the rights, remedies and privileges set forth under Indiana law in the event of default in the payment of the principal of or interest on any of the Refunding Bonds herein authorized or in the event of default in respect to any of the provisions of this ordinance or the governing Act.

Sec 21. Amendments with Consent of Bondholders. Subject to the terms and provisions contained in this section, and not otherwise, the owners of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Refunding Bonds issued pursuant to this ordinance and then outstanding shall have the right from time to time, to consent to and approve the adoption by the Common Council of the City of such ordinance or ordinances supplemental hereto or amendatory hereof, as shall be deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding in any particular any of the terms or provisions contained in this ordinance, or in any supplemental ordinance; provided, however, that nothing herein contained shall permit or be construed as permitting:

(a) An extension of the maturity of the principal of or interest on, or any mandatory sinking fund redemption date for, any Refunding Bond issued pursuant to this ordinance; or

(b) A reduction in the principal amount of any Refunding Bond or the redemption premium or the rate of interest thereon; or

(c) The creation of a lien upon or a pledge of the revenues of the waterworks ranking prior to the pledge thereof created by this ordinance; or

(d) A preference or priority of any Refunding Bond or Refunding Bonds issued pursuant to this ordinance over any other Refunding Bond or Refunding Bonds issued pursuant to the provisions of this ordinance; or

(e) A reduction in the aggregate principal amount of the Refunding Bonds required for consent to such supplemental ordinance; or

(f) A reduction in the 2003 Reserve Requirement.

If the owners of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Refunding Bonds outstanding at the time of adoption of such supplemental ordinance shall have consented to and approved the adoption thereof by written instrument to be maintained on file in the office of the Clerk of the City, no owner of any Refunding Bond issued pursuant to this ordinance shall have any right to object to the adoption of such supplemental ordinance or 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 adoption thereof, or to enjoin or restrain the Common Council of the City from adopting the same, or from taking any action pursuant to the provisions thereof. Upon the adoption of any supplemental ordinance pursuant to the provisions of this section, this ordinance shall be, and shall be deemed, modified and amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the City and all owners of Refunding Bonds then outstanding, shall thereafter be determined, exercised and enforced in accordance with this ordinance, subject in all respects to such modifications and amendments. Notwithstanding anything contained in the foregoing provisions of this ordinance, the rights and obligations of the City and of the owners of the Refunding Bonds authorized by this ordinance, and the terms and provisions of the Refunding Bonds and this ordinance, or any supplemental or amendatory ordinance, may be modified or altered in any respect with the consent of the City and the consent of the owners of all the Refunding Bonds then outstanding.

Sec 22. Tax Covenants. In order to preserve the exclusion of interest on the Refunding Bonds from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986 as existing on the date of issuance of the Refunding Bonds ("Code") and as an inducement to purchasers of the Refunding Bonds, the City represents, covenants and agrees that:

(a) The waterworks will be available for use by members of the general public. Use by a member of the general public means use by natural persons not engaged in a trade or business. No person or entity other than the City or another state or local governmental unit will use more than 10% of the proceeds of the Refunding Bonds or property financed by the Refunding Bond proceeds other than as a member of the general public. No person or entity other than the City or another state or local governmental unit will own property financed by Refunding Bond proceeds or will have any actual or beneficial use of such property pursuant to a lease, a management or incentive payment contract, arrangements such as take-or-pay or output contracts or any other type of arrangement that conveys other special legal entitlements and differentiates that person's or entity's use of such property from use by the general public, unless such uses in the aggregate relate to no more than 10% of the proceeds of the Refunding Bonds, as the case may be. If the City enters into a management contract for the waterworks, the terms of the contract will comply with IRS Revenue Procedure 97-13, as it may be amended, supplemented or superseded for time to time, so that the contract will not give rise to private business use under the Code and the Regulations, unless such use in aggregate relates to no more than 10% of the proceeds of the Refunding Bonds.

(b) No more than 10% of the principal of or interest on the Refunding Bonds is (under the terms of the Refunding Bonds, this ordinance or any underlying arrangement), directly or indirectly, secured by an interest in property used or to be used for any private business use or payments in respect of any private business use or payments in respect of such property or to be derived from payments (whether or not to the City) in respect of such property or borrowed money used or to be used for a private business use.

(c) No more than 5% of the Refunding Bond proceeds will be loaned to any person or entity other than another state or local governmental unit. No more than 5% of the Refunding Bond proceeds will be transferred, directly or indirectly, or deemed transferred to a nongovernmental person in any manner that would in substance constitute a loan of the Refunding Bond proceeds.

(d) The City reasonably expects, as of the date hereof, that the Refunding Bonds will not meet either the private business use test described in paragraph (a) and (b) above or the private loan test described in paragraph (c) above during the entire term of the Refunding Bonds.

(e) No more than 5% of the proceeds of the Refunding Bonds will be attributable to private business use as described in (a) and private security or payments described in (b) attributable to unrelated or disproportionate private business use. For this purpose, the private business use test is applied by taking into account only use that is not related to any government use of proceeds of the issue (Unrelated

Use) and use that is related but disproportionate to any governmental use of those proceeds (Disproportionate Use).

(f) The City will not take any action nor fail to take any action with respect to the Refunding Bonds that would result in the loss of the exclusion from gross income for federal tax purposes on the Refunding Bonds pursuant to Section 103 of the Code, nor will the City act in any other manner which would adversely affect such exclusion. The City covenants and agrees not to enter into any contracts or arrangements which would cause the Refunding Bonds to be treated as private activity bonds under Section 141 of the Code.

(g) It shall be not an event of default under this ordinance if the interest on any Refunding Bond is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not currently in effect and in existence on the date of issuance of the Refunding Bonds.

(h) These covenants are based solely on current law in effect and in existence on the date of delivery of such Refunding Bonds.

(i) The City represents that it will rebate all arbitrage to the United States of America in accordance with the Code.

Sec 23. Noncompliance with Tax Covenants. Notwithstanding any other provisions of this ordinance, the covenants and authorizations contained in this ordinance ("Tax Sections") which are designed to preserve the exclusion of interest on the Refunding Bonds from gross income under federal law ("Tax Exemption") need not be complied with if the City receives an opinion of nationally recognized bond counsel that any Tax Section is unnecessary to preserve the Tax Exemption.

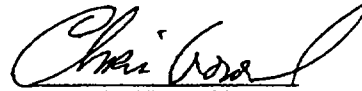
Sec 24. Conflicting Ordinances. All ordinances and parts of ordinances in conflict herewith, except the ordinances authorizing the Outstanding Bonds, are hereby repealed; provided, however, that this ordinance shall not be construed as adversely affecting the rights of the owners of the Outstanding Bonds or the Refunded Bonds.

Sec 25. Headings. The headings or titles of the several sections shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this ordinance.

Sec 26. Effective Date. This ordinance shall be in full force and effect from and after its passage by the Common Council of the City of Bloomington, Monroe County, and signing by the Mayor.



PASSED AND ADOPTED by the Common Council of the City of Bloomington, Monroe County, Indiana, upon this 2nd day of April, 2003.



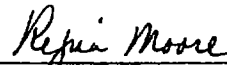
CHRIS GAAL, President  
Bloomington Common Council

ATTEST:



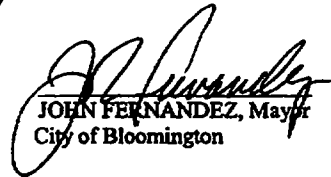
REGINA MOORE, Clerk  
City of Bloomington

PRESENTED by me to the Mayor of the City of Bloomington, Monroe County, Indiana, upon this 3rd day of April, 2003.



REGINA MOORE, Clerk  
City of Bloomington

SIGNED and APPROVED by me upon this 3rd day of April, 2003.



JOHN FERNANDEZ, Mayor  
City of Bloomington

#### Synopsis

This ordinance authorizes the refunding of Waterworks Utility Bonds of 1993 and 1995 in order to reduce debt service.

28

Signed copies to:  
legal (5)      CA/CA (2)      Utilities Director  
controller      file

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**APPENDIX F**  
**CONTINUING DISCLOSURE UNDERTAKING AGREEMENT**

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## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This CONTINUING DISCLOSURE UNDERTAKING AGREEMENT ("Agreement") is made as of July 23, 2003 between the City of Bloomington, Indiana ("Obligor") and Bank One Trust Company, National Association ("Counterparty"), for the purpose of permitting Banc One Capital Markets, Inc., as underwriter ("Underwriter") of the Bonds to purchase the Bonds in compliance with the Securities and Exchange Commission ("SEC") Rule 15c2-12 ("SEC Rule") as published in the Federal Register on November 17, 1994.

Section 1. Definitions. The words and terms defined in this Agreement shall have the meanings herein specified unless the context or use clearly indicates another or different meaning or intent. Those words and terms not expressly defined herein and used herein with initial capitalization where rules of grammar do not otherwise require capitalization, shall have the meanings assigned to them in the SEC Rule.

- (1) "Bondholder" or "holder" or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond, including the holders of beneficial interests in the Bonds.
- (2) "Final Official Statement" means the Official Statement, dated as of July 10, 2003, relating to the Bonds, including any document or set of documents included by specific reference to such document or documents previously provided to each NRMSIR and to the SID, or filed with the Municipal Securities Rulemaking Board ("MSRB").
- (3) "NRMSIR" means, at any point in time, a nationally recognized municipal securities information repository which is then recognized as such by the SEC, initially including but not limited to each of those entities listed on the attached Exhibit A.
- (4) "Obligated Person" means any person, including an issuer of municipal securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), for which Annual Information (as defined in Section 5 hereof) is presented in the Official Statement. All Obligated Persons with respect to the Bonds are identified in Section 4 below.

- (5) "SID" means the Indiana state information depository, if any, in existence from time to time.

Section 2. Bonds. This Agreement applies to the Waterworks Refunding Revenue Bonds of 2003 in the principal amount of \$10,220,000 ("Bonds").

Section 3. Term. The term of this Agreement is from the date of delivery of the Bonds by the Obligor to the earlier of (i) the date of the last payment of principal or redemption price, if any, of, and interest to accrue on, all the Bonds, (ii) the date the Bonds are defeased under Section 17 of the Ordinance adopted by the Obligor on April 2, 2003 ("Ordinance"), or (iii) the date of rescission as described in Section 14.

Section 4. Obligated Persons. The Obligor hereby represents and warrants as of the date hereof that it is the only Obligated Person with respect to the Bonds. If the Obligor, at its sole discretion, determines that it is no longer an Obligated Person, this Agreement shall no longer apply to the Obligor.

Section 5. Provision of Annual Information. (a) The Obligor hereby undertakes to provide the following financial information:

- (1) To each NRMSIR and to the SID, when and if available, the audited financial statements of the Obligor as prepared and examined by the State Board of Accounts for each twelve-month period ending December 31, beginning with the twelve month period ending December 31, 2003, together with the opinion of such accountants and all notes thereto, within sixty (60) days of receipt from the State Board of Accounts; and
- (2) To each NRMSIR and to the SID, within 180 days of each December 31, beginning with the calendar year ending December 31, 2003, unaudited annual financial information for the Obligor for such calendar year including (i) unaudited financial statements of the Obligor if audited financial statements are not available, and (ii) operating data of the type included under the following headings in Appendix A to the Final Official Statement (collectively, "Annual Information"):

User Connections  
Large Users

(b) If any Annual Information or audited financial statements relating to the Obligor referred to in paragraph (a) of this Section 5 no longer can be generated because the operations to which they related have been materially changed or discontinued, a statement to that effect, provided by the Obligor to each NRMSIR and to the SID, along with any other Annual Information or audited financial statements required to be provided under this Agreement, shall

satisfy the undertaking to provide such Annual Information or audited financial statements. To the extent available, the Obligor shall cause to be filed along with the other Annual Information or audited financial statements operating data similar to that which can no longer be provided.

(c) The disclosure may be accompanied by a certificate of an authorized representative of the Obligor in the form of Exhibit B attached hereto.

(d) The Obligor agrees to make a good faith effort to obtain Annual Information. However, failure to provide audited financial statements or Annual Information because it is not available to the Obligor shall not be deemed to be a breach of this Agreement. The Obligor further agrees to supplement the Annual Information filing when such data is available.

(e) Annual Information or audited financial statements required to be provided pursuant to this Section 5 may be provided by a specific reference to such Annual Information or audited financial statements already prepared and previously provided to each NRMSIR and the SID, or filed with the SEC; however, if such document is a final official statement, it must also be available from the MSRB.

Section 6. Accounting Principles. The financial information will be prepared on a cash basis as prescribed by the State Board of Accounts, as in effect from time to time, as described in the auditors' report and notes accompanying the audited financial statements of the Obligor or those principles mandated by state law from time to time. The audited financial statements of the Obligor, as described in Section 5(a)(1) hereof, will be prepared in accordance with generally accepted accounting standards and Government Auditing Standards issued by the Comptroller General of the United States.

Section 7. Material Events. The Obligor undertakes to disclose in a timely manner the occurrence of only the following events, if material (which determination of materiality shall be made by the Obligor in accordance with the standards established by federal securities laws), to each NRMSIR or to the MSRB, and to the SID:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) modifications to the rights of Bondholders;
- (8) Bond calls (other than scheduled mandatory sinking fund redemptions for which notice is given in accordance with the Ordinance);

- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds; and
- (11) rating changes.

The Obligor may from time to time choose to provide notice of the occurrence of any other event, in addition to those listed above, if, in the judgment of the Obligor, such other event is material with respect to the Bonds and should be disclosed, but the Obligor does not commit to provide any such notice of the occurrence of any material event except those events set forth above. The disclosure may be accompanied by a certificate of an authorized representative of the Obligor in the form of Exhibit C attached hereto.

Section 8. Notice to Counterparty and Financial Guaranty Insurance Company. The Obligor hereby agrees to provide to the Counterparty a copy of any Annual Information, audited financial statements, material event notice, or notice of failure to disclose Annual Information which it files or causes to be filed pursuant to Sections 5, 7 and 10 hereof, respectively, concurrently with or prior to such filing. So long as the financial guaranty insurance policy or surety bond issued by Financial Guaranty Insurance Company ("FGIC") is in effect, any notices under this Agreement shall also be provided to FGIC.

Section 9. Use of Agent. The Obligor may, at its sole discretion, utilize an agent ("Dissemination Agent") in connection with the dissemination of any information required to be provided by the Obligor pursuant to the terms of the SEC Rule and this Agreement. If a Dissemination Agent is selected for these purposes, the Obligor shall provide prior written notice thereof (as well as notice of replacement or dismissal of such agent) to the Counterparty and to each NRMSIR, the SID, and the MSRB.

Further, the Obligor may, at its sole discretion, retain counsel or others with expertise in securities matters for the purpose of assisting the Obligor in making judgments with respect to the scope of its obligations hereunder and compliance therewith, all in order to further the purposes of this Agreement as set forth in the preamble and Section 11 hereof.

Section 10. Failure to Disclose. If, for any reason, the Obligor fails to provide the audited financial statements or Annual Information as required by this Agreement, the Obligor shall provide notice of such failure in a timely manner to each NRMSIR or to the MSRB, and to the SID.

Section 11. Remedies.

(a) The purpose of this Agreement is to enable the Underwriter to purchase the Bonds by providing for an undertaking by the Obligated Persons in satisfaction of the SEC Rule. This Agreement is solely for the benefit of the Bondholders and creates no new contractual or other rights for, nor can it be relied upon by, the SEC, underwriters, brokers, dealers, municipal securities dealers, potential customers, other Obligated Persons or any other third party. The sole remedy against the Obligor for any failure to carry out any provision of this Agreement shall be

for specific performance of the Obligor's disclosure obligations hereunder and not for money damages of any kind or in any amount or for any other remedy. The Obligor's failure to honor its covenants hereunder shall not constitute a breach or default of the Bonds, the Ordinance or any other agreement to which the Obligor is a party.

(b) Subject to paragraph (e) of this Section 11, in the event the Obligor fails to provide any information required of it by the terms of this Agreement, any Bondholder may pursue the remedy set forth in the preceding paragraph in any court of competent jurisdiction in the county in which the Obligor is located. An affidavit to the effect that such person is a Bondholder supported by reasonable documentation of such claim shall be sufficient to evidence standing to pursue this remedy.

(c) Subject to paragraph (e) of this Section 11, any challenge to the adequacy of the information provided by the Obligor by the terms of this Agreement may be pursued only by holders of not less than 25% in principal amount of Bonds then outstanding in any court of competent jurisdiction in the county in which the Obligor is located. An affidavit to the effect that such persons are Bondholders supported by reasonable documentation of such claim shall be sufficient to evidence standing to pursue the remedy set forth in the preceding paragraph.

(d) The Counterparty, upon satisfactory indemnification and demand by those persons it reasonably believes to be Bondholders, may also pursue the remedy set forth above in any court of competent jurisdiction in the county in which the Obligor is located. The Counterparty shall have no obligation to pursue any remedial action in the absence of a valid demand from Bondholders and satisfactory indemnification.

(e) Prior to pursuing any remedy under this Agreement, a Bondholder shall give notice to the Obligor, via registered or certified mail, of such breach and its intent to pursue such remedy. Fifteen (15) days after the mailing of such notice, and not before, a Bondholder may pursue such remedy under this Agreement. The Obligor's failure to honor its covenants hereunder shall not constitute a breach or default of the Bonds, the Ordinance or any other agreement to which the Obligor is a party.

Section 12. Counterparty's Obligations. The Counterparty hereto shall have no obligation to take any action whatsoever with respect to information provided by the Obligor under this Agreement (or by any Obligated Persons covered hereby), except (i) as set forth in this Section 12 and (ii) any obligations arising from the Counterparty serving as a Dissemination Agent, and no implied covenants or obligations shall be read into this Agreement against the Counterparty. Further, except as set forth in this Section 12, the Counterparty hereto shall have no responsibility to ascertain the truth, completeness, accuracy, or timeliness of the information provided as required hereunder by the Obligor or any Obligated Person, nor as to its sufficiency for purposes of compliance with the SEC Rule or the requirements of this Agreement.

The Counterparty may, at its sole discretion, retain counsel or others with expertise in continuing disclosure matters for the purpose of assisting the Counterparty in making judgments with respect to the scope of its obligations hereunder and compliance therewith.



If the Counterparty has not received the Annual Information by the date which is ten (10) days before the date set forth in Section 5(a)(2) of this Agreement, the Counterparty shall notify the Obligor, via registered or certified mail, that it has not received such Annual Information. However, a failure by the Counterparty to provide (or any delay in providing) any notice required by this paragraph shall not: (i) operate to relieve the Obligor of its obligation to provide the Annual Information in the manner and within the time specified in this Agreement; or (ii) constitute a defense for the Obligor, or the basis for any claim, counterclaim, cross-claim or third-party claim by the Obligor, in any action brought pursuant to Section 11 of this Agreement or otherwise. Nothing contained in this paragraph shall operate to grant any additional rights or remedies to any holder of Bonds.

The Counterparty hereto shall be obligated to, and hereby agrees that it will, on the fifth business day after the date required by Section 5(a)(2) of this Agreement, forward to those persons or entities scheduled to receive Annual Information a notice substantially in the form of Exhibit D attached hereto in the event that the Counterparty has not received a copy of such Annual Information; provided, however, that the Counterparty shall not give such notices as described in this paragraph and the immediately preceding paragraph if the Obligor has provided the Counterparty with notice that the Obligor has issued notice pursuant to Section 10 hereof.

Section 13. Resignation and Removal of Counterparty. The Counterparty may resign in its capacity under this Agreement at any time by giving written notice thereof to the Obligor. So long as the Obligor has not failed to honor its obligations as set forth in Sections 5, 7 and 10 hereof, the Obligor may remove the Counterparty in its capacity under this Agreement at any time by giving written notice thereof to the Counterparty. Upon such resignation or removal, the Obligor shall promptly appoint a successor Counterparty.

Section 14. Modification of Agreement. The Obligor and the Counterparty may, from time to time, amend or modify this Agreement without the consent of or notice to the Bondholders if either (a)(i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Obligor, or type of business conducted, (ii) this Agreement, as so amended or modified, would have complied with the requirements of the SEC Rule on the date hereof, after taking into account any amendments or interpretations of the SEC Rule, as well as any change in circumstances, and (iii) such amendment or modification does not materially impair the interests of the Bondholders, as determined either by (A) the Counterparty or nationally recognized bond counsel or (B) an approving vote of the holders of the requisite percentage of outstanding Bonds as required under Section 21 of the Ordinance at the time of such amendment or modification; or (b) such amendment or modification (including an amendment or modification which rescinds this Agreement) is permitted by the SEC Rule, as then in effect.

Section 15. Interpretation Under Indiana Law. It is the intention of the parties hereto that this Agreement and the rights and obligations of the parties hereunder shall be governed by and construed and enforced in accordance with, the law of the State of Indiana.

Section 16. Severability Clause. In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 17. Successors and Assigns. All covenants and agreements in this Agreement made by the Obligor and the Counterparty shall bind their successors, whether so expressed or not.

Section 18. Notices. All notices required to be given under this Agreement shall be made at the following addresses:

If to the Obligor:	City of Bloomington, Indiana c/o Clerk 401 North Morton Street Bloomington, Indiana 47402
If to the Counterparty:	Bank One Trust Company, National Association 111 Monument Circle Suite IN 1-0152 Indianapolis, Indiana 46277
If to FGIC:	Financial Guaranty Insurance Company 125 Park Avenue attn: Risk Management New York, New York 10017

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IN WITNESS WHEREOF, the Obligor and the Counterparty have caused this Agreement to be executed as of the 23<sup>rd</sup> day of July, 2003.

CITY OF BLOOMINGTON, INDIANA, as  
Obligor

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**BANK ONE TRUST COMPANY,  
NATIONAL ASSOCIATION, as Counterparty**

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EXHIBIT A

NATIONALLY RECOGNIZED MUNICIPAL  
SECURITIES INFORMATION REPOSITORIES

Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, New Jersey 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
E-Mail: Munis@Bloomberg.com

Standard & Poor's J. J. Kenny Repository  
55 Water Street, 45<sup>th</sup> Floor  
New York, New York 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
Email: nrmsir\_repository@sandp.com

FT Interactive Data  
Attn: NRMSIR  
100 Williams Street  
New York, New York 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390 (Secondary Market Information)  
(212) 771-7391 (Primary Market Information)  
Email: NRMSIR@FTID.com

DPC Data, Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
E-Mail: nrmsir@dpcdata.com

**EXHIBIT B**

**CERTIFICATE RE: ANNUAL FINANCIAL INFORMATION DISCLOSURE**

The undersigned, on behalf of the City of Bloomington, Indiana, as the Obligor under the Continuing Disclosure Undertaking Agreement, dated July 23, 2003 ("Agreement"), between the Obligor and Bank One Trust Company, National Association, as Counterparty, hereby certifies that the information enclosed herewith constitutes the Annual Information (as defined in the Agreement) which is required to be provided pursuant to Section 5(a)(2) of the Agreement.

Dated: \_\_\_\_\_.

**CITY OF BLOOMINGTON, INDIANA**

By: \_\_\_\_\_

Printed: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT C

CERTIFICATE RE: MATERIAL EVENT DISCLOSURE

The undersigned, on behalf of the City of Bloomington, Indiana, as the Obligor under the Continuing Disclosure Undertaking Agreement, dated July 23, 2003 ("Agreement"), between the Obligor and Bank One Trust Company, National Association, as Counterparty, hereby certifies that the information enclosed herewith constitutes notice of the occurrence of a material event which is required to be provided pursuant to Section 7 of the Agreement.

Dated: \_\_\_\_\_.

CITY OF BLOOMINGTON, INDIANA

By: \_\_\_\_\_

Printed: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT D**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE INFORMATION**

Notice is hereby given that the City of Bloomington, Indiana ("Obligor") has not provided to Bank One Trust Company, National Association, as Counterparty to the Continuing Disclosure Undertaking Agreement, dated July 23, 2003 ("Agreement"), between the Obligor and the Counterparty, the Annual Information as required by Section 5(a)(2) of the Agreement.

Dated: \_\_\_\_\_

**BANK ONE TRUST COMPANY,  
NATIONAL ASSOCIATION**

By: \_\_\_\_\_

Printed: \_\_\_\_\_

Title: \_\_\_\_\_



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**APPENDIX G**  
**SPECIMEN FGIC INSURANCE POLICY**

Financial Guaranty Insurance  
 Company  
 125 Park Avenue  
 New York, NY 10017  
 (212) 312-3000  
 (800) 352-0001



A GE Capital Company

## Municipal Bond New Issue Insurance Policy

<b>Issuer:</b>	<b>Policy Number:</b>
	<b>Control Number:</b> 0010001
<b>Bonds:</b>	<b>Premium:</b>

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance  
Company  
125 Park Avenue  
New York, NY 10017  
(212) 312-3000  
(800) 352-0001

A GE Capital Company



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## Municipal Bond New Issue Insurance Policy

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for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

*Richard M. Reif*

President

Effective Date:

Authorized Representative

U.S. Bank Trust National Association acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Authorized Officer

Financial Guaranty Insurance  
Company  
125 Park Avenue  
New York, NY 10017  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

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**Endorsement**  
**To Financial Guaranty Insurance Company**  
**Insurance Policy**

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**Policy Number:**

**Control Number: 0010001**

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It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**Authorized Officer**  
**U.S. Bank Trust National Association, as Fiscal Agent**

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## QUALIFIED ENTITY PURCHASE AGREEMENT

This QUALIFIED ENTITY PURCHASE AGREEMENT (the "Purchase Agreement"), dated as of the 26<sup>th</sup> day of March, 2015, is being entered into by and between the INDIANA BOND BANK, a body corporate and politic (the "Bond Bank"), created pursuant to the provisions of Indiana Code 5-1.5, as amended (the "Act"), having its principal place of business in the City of Indianapolis, Indiana, and the CITY OF BLOOMINGTON, INDIANA, a political subdivision located in Monroe County, Indiana (the "Qualified Entity").

### WITNESSETH:

WHEREAS, on May 4, 2006, the Qualified Entity issued its bonds designated as the "City of Bloomington, Indiana, Waterworks Revenue Bonds of 2006, Series A" in the original aggregate principal amount of \$5,320,000 (the "Original Qualified Obligations"), which are payable from the net revenues of the waterworks system owned and operated by the Qualified Entity (the "Utility"), in order to provide funds to finance the acquisition and construction of certain extensions and improvements to the Utility, all pursuant to Ordinance No. 05-12, adopted by the Qualified Entity on April 20, 2006, as previously amended by Ordinance No. 06-04, adopted by the Qualified Entity on March 2, 2006 (collectively, the "Original Ordinance"); and

WHEREAS, as of the date hereof, the Original Qualified Obligations are outstanding in the aggregate principal amount of approximately \$3,720,000; and

WHEREAS, pursuant to the terms of the Original Ordinance, the Original Qualified Obligations and the Qualified Entity Purchase Agreement, dated as of April 26, 2006 (the "Original Purchase Agreement"), by and between the Bond Bank and the Qualified Entity, the Original Qualified Obligations maturing on or after July 1, 2016, are subject to redemption prior to maturity, at the option of the Qualified Entity, in whole or in part, on any date on or after January 1, 2016 (such rights hereinafter, the "Call Rights"); and

WHEREAS, the Bond Bank previously issued its Indiana Bond Bank Special Program Bonds, Series 2006 B-1, dated May 4, 2006, in the aggregate principal amount of \$12,400,000 (the "Prior Bond Bank Bonds"), for the purpose, in part, of providing funds to purchase the Original Qualified Obligations from the Qualified Entity; and

WHEREAS, the Bond Bank has authorized and intends to issue its Indiana Bond Bank Special Program Refunding Bonds, Series 2015 A (the "Refunding Bonds"), pursuant to a Trust Indenture, to be dated as of March 1, 2015 (the "Bond Bank Indenture"), between the Bond Bank and The Huntington National Bank, as trustee (the "Trustee"), for the purpose of refunding all or a portion of the Prior Bond Bank Bonds (the "Refunding Program"); and

WHEREAS, as a condition to sharing a portion of the economic benefits associated with the Refunding Program with the Qualified Entity, the Bond Bank has requested that (a) the Qualified Entity modify its Call Rights and evidence the modification of the Call Rights and receipt of such Call Rights Modification Credit (as defined herein)(all in exchange for receiving a portion of the economic benefits associated with the Refunding Program) by executing and delivering its Amended Qualified Obligations (as hereinafter defined), and (b) following the



undertaking of the Refunding Program and satisfaction of the other terms and conditions set forth herein, exchanging the Amended Qualified Obligations for the outstanding Original Qualified Obligations; and

WHEREAS, the Qualified Entity has duly authorized, pursuant to the Original Ordinance, as supplemented and amended by an ordinance adopted by the Qualified Entity on February 18, 2015 (the "Supplemental Ordinance")(the Original Ordinance and the Supplemental Ordinance, collectively, the "Ordinance"), the modification of the Call Rights and, in order to evidence the modification of the Call Rights and receipt of the Call Rights Modification Credit, the execution and delivery of its amended bonds designated as the "City of Bloomington, Indiana, Amended Waterworks Revenue Bonds of 2006, Series A," in the original aggregate principal amount not to exceed the aggregate outstanding principal amount of the Original Qualified Obligations (as so amended, the "Amended Qualified Obligations").

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the Bond Bank and the Qualified Entity agree as follows:

Section 1. (a) In exchange for modifying the Call Rights with respect to the Original Qualified Obligations, the Bond Bank hereby agrees to provide the Qualified Entity with a credit, in an aggregate amount equal to \$480,000.00 (the "Call Rights Modification Credit"), in the form of a reduction of one or more semi-annual debt service payments on the Original Qualified Obligations (as evidenced by the Amended Qualified Obligations), all in accordance with the schedule attached as Exhibit A hereto and made a part hereof.

(b) In order to evidence such modification of the Call Rights and receipt of such Call Rights Modification Credit, the Qualified Entity hereby agrees to execute and deliver the Amended Qualified Obligations and to exchange the Amended Qualified Obligations for all of the Original Qualified Obligations, respectively, which are outstanding on the date hereof. Upon the execution and delivery of the Amended Qualified Obligations, the Bond Bank hereby agrees that it shall cancel and return all of the Original Qualified Obligations to the Qualified Entity which are outstanding on the date hereof.

(c) The parties hereby expressly agree and acknowledge that the execution and delivery of the Amended Qualified Obligations in exchange for the return of all of the Original Qualified Obligations outstanding on the date hereof shall not constitute, nor shall this Purchase Agreement or the transaction hereby contemplated ever be construed to constitute, a re-issuance of the Original Qualified Obligations, in whole or in part, for purposes of the laws of the State.

(d) Notwithstanding anything in the Original Ordinance, the Original Purchase Agreement or the Original Qualified Obligations to the contrary, the Amended Qualified Obligations shall be subject to redemption at the option of the Issuer on any date on or after August 15, 2025, at a redemption price equal to the principal amount thereof so called for redemption plus accrued interest to the date fixed for redemption.

(e) Except as otherwise provided in this Purchase Agreement and the Supplemental Ordinance, the terms, conditions and characteristics of the Amended Qualified Obligations shall

be the same as those of the Original Qualified Obligations and shall be executed and delivered in the same manner and in accordance with the terms and conditions of the Ordinance and the Act.

Section 2. If the Qualified Entity fails to pay the principal of and interest on the Amended Qualified Obligations when due, the Qualified Entity agrees to reimburse the Bond Bank for the costs of collecting the payments on such Amended Qualified Obligations.

Section 3. The Qualified Entity has taken, or will take, all proceedings required by law to enable it to modify the Call Rights and to execute and deliver the Amended Qualified Obligations and all other documents to the Bond Bank which are necessary for the Bond Bank to undertake its Refunding Program. The parties to this Agreement acknowledge that the Qualified Entity's obligation to modify the Call Rights and to execute and deliver the Amended Qualified Obligations and the Bond Bank's obligation to accept the Amended Qualified Obligations and to cancel and return the Original Qualified Obligations, all as described herein, are expressly contingent upon the Qualified Entity taking all steps and receiving all approvals required by laws of the State, if any, to modify the Call Rights, to execute and deliver the Amended Qualified Obligations, and to execute all other documents which are necessary for the Bond Bank to undertake its Refunding Program.

Section 4. Subject to Section 8, the Qualified Entity agrees to pay the Bond Bank, on each interest payment date for the Amended Qualified Obligations, reasonable fees and charges attributable to the administration of the Amended Qualified Obligations acquired by the Bond Bank. To the extent the Amended Qualified Obligations are subject to rebate, the Qualified Entity agrees to pay the Bond Bank for prompt payment to, or to evidence to the Bond Bank the payment to, the United States of the rebate determined by the Qualified Entity to result from the investment of moneys held by the Qualified Entity that constitute gross proceeds of the Original Qualified Obligations or the Amended Qualified Obligations. The Qualified Entity agrees to provide documentation to the Bond Bank relative to the computation of the rebate and payment of such rebate when required.

Section 5. Simultaneously with the delivery to the Bond Bank of the Amended Qualified Obligations, which shall be substantially in the form set forth in the Original Ordinance with such conforming changes as shall be necessary to reflect the terms and conditions set forth in the Supplemental Ordinance and in this Purchase Agreement, and registered in the name of the Bond Bank, the Qualified Entity shall furnish to the Bond Bank: (a) transcripts of the proceedings related to the respective Amended Qualified Obligations; and (b) the approving opinion of Barnes & Thornburg LLP, bond counsel to the Qualified Entity, in form satisfactory to the Bond Bank, which shall set forth, among other things, that (i) the Qualified Entity is duly organized and validly existing under the laws of the State with the right and power to execute and deliver and to perform its obligations under the Purchase Agreement and its Amended Qualified Obligations; (ii) the Purchase Agreement and the Amended Qualified Obligations, together with the performance by the Qualified Entity of its respective obligations thereunder, have been duly authorized, executed and delivered by the Qualified Entity and, assuming the due authorization, execution and delivery thereof by the other parties thereto, each constitutes the legal, valid and binding agreement of the Qualified Entity, enforceable in accordance with its respective terms; and (iii) the interest on the Amended Qualified Obligations is excludable from gross income for federal income tax purposes under Section 103 of the Code

(under existing law); subject to such enforcement limitations customarily contained in such opinions. The Bond Bank shall arrange for and bear the cost of such opinions from the Qualified Entity's bond counsel.

Section 6. The Qualified Entity and the Bond Bank agree that the Amended Qualified Obligations and the payments to be made thereon may be pledged or assigned by the Bond Bank to the Trustee under and pursuant to the Bond Bank Indenture.

Section 7. (a) As long as any of the Amended Qualified Obligations remain outstanding, the Qualified Entity agrees to furnish to the Bond Bank the following information and reports:

(1) Within one hundred eighty (180) days after the close of each twelve-month period ending December 31 (each, a "Fiscal Year"), beginning with the Fiscal Year ending on December 31, 2014, (A) if available, a copy of the Qualified Entity's budget adopted for the then-current Fiscal Year, and (B) unaudited annual financial statements or reports which are customarily prepared by or for the Qualified Entity;

(2) When and if available, the audited financial statements of the Qualified Entity as prepared and examined by the State Board of Accounts for each Fiscal Year, beginning with the Fiscal Year ending on December 31, 2014, together with the opinion of such accountants and all notes thereto, within sixty (60) days of receipt from the State Board of Accounts;

(3) When and if available, a copy of any financial information, operating data or event notices filed by, or on behalf of the Qualified Entity, with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access System ("EMMA"), pursuant to any obligations of the Qualified Entity to provide such information to EMMA under one or more continuing disclosure undertaking agreements entered into by the Qualified Entity pursuant to Section (b)(5) of the Securities and Exchange Commission Rule 15c2-12, as amended, simultaneously with such filing through EMMA;

(4) When and if available, a copy of any study of rates and charges for the Utility as may be commissioned by the Qualified Entity from time to time, together with all schedules and exhibits thereto, within sixty (60) days of receipt from the consultant(s) engaged to perform such study; and

(5) Such other financial information as is reasonably requested by the Bond Bank, including information which evidences their compliance with certain covenants which they have made regarding various actions and conditions necessary to preserve the tax-exempt status of interest paid on the Amended Qualified Obligations.

(b) The Qualified Entity certifies and agrees that it will monitor: (i) the yield on the investment of proceeds of the Amended Qualified Obligations (including compliance with any yield restrictions or temporary periods); (ii) the timely expenditure of the proceeds of the Amended Qualified Obligations; (iii) the proper use of the proceeds of the Amended Qualified Obligations and any facilities financed thereby; and (iv) the investment, expenditure and use of

proceeds of the Amended Qualified Obligations to ensure timely identification of any violations of federal tax requirements and timely correction of any identified violations through remedial actions described in Section 1.141-12 of the Regulations or through the Tax Exempt Bonds Voluntary Closing Agreement Program described in Notice 2008-31.

(c) The Qualified Entity certifies and agrees that it will, on or before each anniversary of the date of the execution and delivery of the Amended Qualified Obligations, determine: (i) whether the Qualified Entity has paid all amounts required to be rebated to the United States under Section 148(f) of the Code and Section 1.148-3 of the Regulations; and (ii) whether the Qualified Entity has made all yield reduction payments required to be made to the United States under Section 1.148-5(c) of the Regulations.

(d) The Qualified Entity certifies and agrees that it will, on or before each anniversary of the date of the execution and delivery of the Amended Qualified Obligations, provide a report to the Bond Bank as to: (i) whether the Qualified Entity has paid all amounts required to be rebated to the United States under Section 148(f) of the Code and Section 1.148-3 of the Regulations; (ii) whether the Qualified Entity has made all yield reduction payments required to be made to the United States under Section 1.148-5(c) of the Regulations; and (iii) whether the Qualified Entity has identified any violations of federal tax requirements with respect to the expenditure and use of proceeds of the Qualified Obligations and timely corrected any identified violations through remedial actions described in Section 1.141-12 of the Regulations or through the Tax Exempt Bonds Voluntary Closing Agreement Program described in Notice 2008-31.

(e) The Qualified Entity certifies and agrees that it will monitor the use of the proceeds of such Amended Qualified Obligations, and any facilities financed thereby, to ensure that not more than five percent (5%) of the proceeds of the Amended Qualified Obligations, or any facilities financed thereby, are: (i) owned by any nongovernmental person; (ii) leased to any nongovernmental person; (iii) subject to any management, service or incentive payment contract with any nongovernmental person, under which such nongovernmental person provides services involving all, any portion or any function of such facilities, unless such contract satisfies the conditions under which it would not result in private business use set forth in Revenue Procedure 97-13 (1997-1 C.B. 623), as amended from time to time; (iv) subject to any agreement by any nongovernmental person to sponsor research, unless such agreement satisfies the conditions under which it would not result in private business use set forth in Revenue Procedure 2007-47 (2007-29 I.R.B. 108), as amended from time to time; or (v) subject to any other arrangement that conveys special legal entitlements for beneficial use thereof that are comparable to special legal entitlements described in subsection (i), (ii), (iii) or (iv) hereof.

Section 8. If the Bond Bank determines to sell all or part of the Amended Qualified Obligations, it agrees to pay or reimburse the Qualified Entity for all costs associated therewith including the printing of bonds, obtaining ratings therefor and providing services of a registrar and paying agent therefor.

Section 9. If any provision of this Purchase Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Purchase Agreement, and this Purchase Agreement

shall be construed and be in force as if such invalid or unenforceable provision had not been contained herein.

Section 10. The parties to this Agreement acknowledge that the Qualified Entity's obligation to modify the Call Rights and execute and deliver the Amended Qualified Obligations, and the Bond Bank's obligation to accept the Amended Qualified Obligations and to cancel and return all of the Original Qualified Obligations outstanding as of the date hereof, is expressly contingent upon the authorization and undertaking of the Refunding Program. In the event the Bond Bank determines not to authorize or undertake its Refunding Program, the provisions of this Purchase Agreement shall terminate upon notice by the Bond Bank to the Qualified Entity of such determination.

Section 11. In the event the Qualified Entity fails to modify the Call Rights and to execute and deliver all of the Amended Qualified Obligations to the Bond Bank in accordance with Section 1 hereof for any reason within the control of the Qualified Entity, the Qualified Entity shall, on demand, pay to the Bond Bank an amount equal to all costs, expenses (including any financial advisory and attorney's fees and expenses) and consequential damages occasioned by the failure of the Qualified Entity to modify the Call Rights and to execute and deliver the Amended Qualified Obligations, all in accordance with Section 1 hereof.

Section 12. On or prior to the delivery date of the Amended Qualified Obligations pursuant to the Refunding Program, an authorized officer of the Qualified Entity will deliver a certificate, dated as of the delivery date of the Refunding Bonds pursuant to the Refunding Program (the "Closing Date"), to the effect that (a) any statements pertaining to the Qualified Entity, the Original Qualified Obligations (if any) or the Amended Qualified Obligations made in the application or information request form submitted to the Bond Bank (the "Application") (i) as of the date of the Application, did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (ii) as of the Closing Date, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading, and (b) that there has been no material adverse change in the financial condition and affairs of the Qualified Entity during the period from the date of submission of the Application to the Closing Date, which was not disclosed in or contemplated by the Application.

Section 13. The Qualified Entity hereby agrees, for so long as any of the Amended Qualified Obligations are outstanding, to execute a continuing disclosure agreement in a form and substance reasonably acceptable to the Bond Bank, as may be reasonably requested by the Bond Bank. No breach or violation by the Qualified Entity of any obligation of the Qualified Entity under Section 7 of this Purchase Agreement shall constitute a breach or violation of or default under the Amended Qualified Obligations or the Ordinance.

Section 14. This Purchase Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. The Bond Bank and the Qualified Entity each agree that they will execute any and all documents or other instruments and take such other actions as may be necessary to give effect to the terms of this Purchase Agreement.

Section 15. No waiver by the Bond Bank or the Qualified Entity of any term or condition of this Purchase Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Purchase Agreement.

Section 16. This Purchase Agreement merges and supersedes all prior negotiations, representations and agreements between the Bond Bank and the Qualified Entity relating to the subject matter hereof and, together with the Ordinance and the Amended Qualified Obligations, constitutes the entire agreement between the Bond Bank and the Qualified Entity with respect hereto.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, we have hereunto set our hands as of the day and year first above written.

INDIANA BOND BANK

By: Kelly M. Mitchell  
Kelly M. Mitchell, Chairperson Ex Officio

Attest:

Ronald L. Mangus  
Ronald L. Mangus, Executive Director

CITY OF BLOOMINGTON, INDIANA

By: \_\_\_\_\_  
Mark Kruzan, Mayor

Attest:

\_\_\_\_\_  
Jeff Underwood, Controller

IN WITNESS WHEREOF, we have hereunto set our hands as of the day and year first above written.

INDIANA BOND BANK

By: \_\_\_\_\_  
Kelly M. Mitchell, Chairperson Ex Officio

Attest:

\_\_\_\_\_  
Ronald L. Mangus, Executive Director

CITY OF BLOOMINGTON, INDIANA

By:  \_\_\_\_\_  
Mark Kruzan, Mayor

Attest:

 \_\_\_\_\_  
Jeff Underwood, Controller



**EXHIBIT A**

**SCHEDULE OF CALL RIGHTS MODIFICATION CREDIT**

<u>Payment Date</u>	<u>Debt Service Due on Original Qualified Obligation</u>			<u>(Less Call Rights Modification Credit)</u>	<u>Debt Service Due on Amended Qualified Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
July 1, 2015	\$120,000.00	\$87,945.00	\$207,945.00	(\$124,777.70)	\$ 0.00	\$83,167.30	\$ 83,167.30
January 1, 2016	120,000.00	85,305.00	205,305.00	(14,240.40)	112,172.08	78,892.52	191,064.60
July 1, 2016	125,000.00	82,617.00	207,617.00	(15,537.14)	115,700.00	76,379.87	192,079.87
January 1, 2017	125,000.00	79,773.25	204,773.25	(15,525.56)	115,500.00	73,747.69	189,247.69
July 1, 2017	130,000.00	76,904.50	206,904.50	(15,507.54)	120,300.00	71,096.97	191,396.97
January 1, 2018	130,000.00	73,921.00	203,921.00	(15,484.92)	120,100.00	68,336.08	188,436.08
July 1, 2018	135,000.00	70,918.00	205,918.00	(15,456.23)	124,900.00	65,561.77	190,461.77
January 1, 2019	140,000.00	67,799.50	207,799.50	(15,522.92)	129,600.00	62,676.58	192,276.58
July 1, 2019	140,000.00	64,551.50	204,551.50	(15,481.64)	129,400.00	59,669.86	189,069.86
January 1, 2020	145,000.00	61,303.50	206,303.50	(15,535.72)	134,100.00	56,667.78	190,767.78
July 1, 2020	150,000.00	57,874.25	207,874.25	(15,477.94)	138,900.00	53,496.32	192,396.32
January 1, 2021	150,000.00	54,326.75	204,326.75	(15,515.42)	138,600.00	50,211.33	188,811.33
July 1, 2021	155,000.00	50,764.25	205,764.25	(15,544.67)	143,300.00	46,919.58	190,219.58
January 1, 2022	160,000.00	47,083.00	207,083.00	(15,466.80)	148,100.00	43,516.21	191,616.21
July 1, 2022	160,000.00	43,259.00	203,259.00	(15,482.39)	147,800.00	39,976.62	187,776.62
January 1, 2023	165,000.00	39,435.00	204,435.00	(15,490.81)	152,500.00	36,444.20	188,944.20
July 1, 2023	170,000.00	35,475.00	205,475.00	(15,490.81)	157,200.00	32,784.20	189,984.20
January 1, 2024	175,000.00	31,395.00	206,395.00	(15,483.61)	161,900.00	29,011.40	190,911.40
July 1, 2024	175,000.00	27,168.75	202,168.75	(15,467.24)	161,600.00	25,101.51	186,701.51
January 1, 2025	180,000.00	22,942.50	202,942.50	(15,543.63)	166,200.00	21,198.87	187,398.87
July 1, 2025	185,000.00	18,595.50	203,595.50	(15,510.36)	170,900.00	17,185.14	188,085.14
January 1, 2026	190,000.00	14,127.75	204,127.75	(15,469.85)	175,600.00	13,057.91	188,657.91
July 1, 2026	195,000.00	9,539.25	204,539.25	(15,522.09)	180,200.00	8,817.17	189,017.17
January 1, 2027	200,000.00	4,830.00	204,830.00	(15,464.67)	184,900.00	4,465.34	189,365.34
<b>Totals:</b>	<b>\$3,720,000.00</b>	<b>\$1,207,854.25</b>	<b>\$4,927,854.25</b>	<b>(\$480,000.00)</b>	<b>\$3,329,472.08</b>	<b>\$1,118,382.17</b>	<b>\$4,447,854.25</b>

## QUALIFIED ENTITY PURCHASE AGREEMENT

This QUALIFIED ENTITY PURCHASE AGREEMENT (this "Purchase Agreement"), dated April 26, 2006, is being entered into by and between the INDIANA BOND BANK (the "Bond Bank"), a body corporate and politic of the State of Indiana (the "State"), created pursuant to the provisions of Indiana Code 5-1.5, as amended (the "Act"), having its principal place of business in the City of Indianapolis, Indiana, and the CITY OF BLOOMINGTON (the "Qualified Entity"), a municipality organized and existing under the laws of the State.

### WITNESSETH:

WHEREAS, the Bond Bank has adopted a resolution authorizing, pursuant to the Trust Indenture, dated as of May 1, 2006 (the "Bond Bank Indenture"), to be entered into between the Bond Bank and The Bank of New York Trust Company, N.A., as trustee, the issuance of its bonds designated "Special Program Bonds, Series 2006 B-1" (the "2006 B-1 Bond Bank Bonds"), and "Taxable Special Program Bonds, Series 2006 B-2" (the "2006 B-2 Bond Bank Bonds"); and

WHEREAS, pursuant to the Act, the Bond Bank is authorized to purchase securities (as defined in the Act, the "Securities") issued by qualified entities (as defined in the Act); and

WHEREAS, the Qualified Entity has duly authorized the issuance of: (1) its Sewage Works Revenue Bonds of 2006, Series A-1, in the aggregate principal amount of \$5,240,000 (the "2006 A-1 Sewage Works Qualified Obligations"), and Taxable Sewage Works Revenue Bonds of 2006, Series A-2, in the aggregate principal amount of \$2,850,000 (the "2006 A-2 Sewage Works Qualified Obligations"), pursuant to Ordinance No. 05-35, adopted by the Common Council of the Qualified Entity (the "Common Council") on December 21, 2005, and amended pursuant to Ordinance No. 06-05, adopted by the Common Council on March 2, 2006 (collectively, the "Sewage Works Bond Ordinance"); and (2) its Waterworks Revenue Bonds of 2006, Series A, in the aggregate principal amount of \$5,320,000 (the "Waterworks Qualified Obligations"), pursuant to Ordinance No. 05-12, adopted by the Common Council on April 20, 2005, and amended pursuant to Ordinance No. 06-04, adopted by the Common Council on March 2, 2006 (collectively, the "Waterworks Bond Ordinance"); and

WHEREAS, the 2006 A-1 Sewage Works Qualified Obligations and the 2006 A-2 Sewage Works Qualified Obligations (collectively, the "Sewage Works Qualified Obligations") are secured by the net revenues of the sewage works system of the Qualified Entity, and the Waterworks Qualified Obligations are secured by the net revenues of the waterworks system of the Qualified Entity; and

WHEREAS, the Sewage Works Qualified Obligations and the Waterworks Qualified Obligations (collectively, the "Qualified Obligations") are Securities to be purchased by the Bond Bank from proceeds of the 2006 B-1 Bond Bank Bonds and the 2006 B-2 Bond Bank Bonds (collectively, the "Bond Bank Bonds") in accordance with this Purchase Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the Bond Bank and the Qualified Entity agree as follows:

1. The Bond Bank hereby agrees to purchase the Qualified Obligations and the Qualified Entity hereby agrees to sell to the Bond Bank the Qualified Obligations concurrently with the issuance by the Bond Bank of the Bond Bank Bonds: (a) at a price of \$5,104,022 for the 2006 A-1 Sewage Works Qualified Obligations, which represents the aggregate principal amount of the 2006 A-1 Sewage Works Qualified Obligations (\$5,240,000), less an original issue discount of \$135,978, without any accrued interest; (b) at a price of \$2,783,728 for the 2006 A-2 Sewage Works Qualified Obligations, which represents the aggregate principal amount of the 2006 A-2 Sewage Works Qualified Obligations (\$2,850,000), less an original issue discount of \$66,272, without any accrued interest; and (c) at a price of \$5,187,000 for the Waterworks Qualified Obligations, which represents the aggregate principal amount of the Waterworks Qualified Obligations (\$5,320,000), less an original issue discount of \$133,000, without any accrued interest. The Qualified Obligations shall mature and bear interest and be subject to the terms as set forth in Exhibit A attached hereto. The other terms of the Qualified Obligations shall be set forth in the Sewage Works Bond Ordinance and the Waterworks Bond Ordinance (collectively, the "Ordinances").

2. The Qualified Entity will take all proceedings required by law to enable it to issue its Qualified Obligations to be purchased by the Bond Bank and to execute and deliver all documents which are necessary for the Bond Bank to issue the Bond Bank Bonds. The parties to this Agreement acknowledge that the Qualified Entity's obligation to issue and sell and the Bond Bank's obligation to purchase are expressly contingent upon the Qualified Entity taking all steps and receiving all approvals required by the laws of the State to issue the Qualified Obligations and to execute and deliver all documents which are necessary for the Bond Bank to issue the Bond Bank Bonds.

3. If the Qualified Entity fails to pay the principal of and interest on the Qualified Obligations when due, the Qualified Entity agrees to reimburse the Bond Bank for the costs of collecting the payments on such Qualified Obligations. To the extent the Qualified Obligations are subject to rebate, the Qualified Entity agrees to pay the Bond Bank for prompt payment to or to evidence to the Bond Bank the payment to the United States of the rebate determined by the Qualified Entity to result from the investment of moneys held by the Qualified Entity that constitute gross proceeds of the Bond Bank Bonds. The Qualified Entity agrees to provide documentation to the Bond Bank relative to the computation of the rebate and payment of such rebate when required.

4. Simultaneously with the delivery to the Bond Bank of the Qualified Obligations, which Qualified Obligations shall be substantially in the forms set forth in the Ordinances and registered in the name of the Bond Bank, the Qualified Entity shall furnish to the Bond Bank transcripts of proceedings, including the opinions of Bingham McHale LLP, bond counsel to the Qualified Entity, which shall set forth, among other things, the unqualified approval of the Qualified Obligations and the relative tax-exempt status (under existing law) of the interest to be paid on the Qualified Obligations. The Qualified Entity shall bear the cost of the opinions of such bond counsel.

5. The Qualified Entity and the Bond Bank agree that the Qualified Obligations and the payments to be made thereon may be pledged or assigned by the Bond Bank under and pursuant to the Bond Bank Indenture.

6. The Qualified Entity agrees to furnish to the Bond Bank, as long as any of the Qualified Obligations remain outstanding, annual financial reports, audit reports and such other financial information as is reasonably requested by the Bond Bank, including information which evidences its compliance with certain covenants which it has made regarding various actions and conditions necessary to preserve the tax-exempt status of interest paid on the Series 2006 B-1 Qualified Obligations and the Waterworks Qualified Obligations.

7. If the Bond Bank determines to sell all or part of the Qualified Obligations, it agrees to pay or reimburse the Qualified Entity for all costs associated therewith, including the printing of bonds, obtaining ratings therefor and providing services of a registrar and paying agent therefor.

8. If any provision of this Purchase Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Purchase Agreement, and this Purchase Agreement shall be construed and be in force as if such invalid or unenforceable provision had not been contained herein.

9. If the Bond Bank does not deliver the Bond Bank Bonds to the underwriters thereof (collectively, the "Underwriter") and receive payment therefor from the Underwriter on or before May 4, 2006, the Qualified Entity may rescind this Purchase Agreement by giving written notice of such rescission to the Executive Director of the Bond Bank. The Bond Bank is obligated to purchase the Qualified Obligations solely from the proceeds of the Bond Bank Bonds.

10. In the event the Qualified Entity fails to sell all the Qualified Obligations to the Bond Bank in accordance with Section 1 hereof for any reason within the control of the Qualified Entity, the Qualified Entity shall, on demand, pay to the Bond Bank an amount equal to all costs, expenses (including attorney's fees) and consequential damages occasioned by the failure of the Qualified Entity to sell its Qualified Obligations in accordance with Section 1 hereof.

11. On the delivery date of the Bond Bank Bonds (the "Closing Date"), an authorized officer of the Qualified Entity will deliver a certificate to the effect that the statements made in the Official Statement of the Bond Bank related to the Bond Bank Bonds (the "Official Statement"), including the Appendices thereto, pertaining to the Qualified Entity and the Qualified Obligations, as of the date of the Official Statement, did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and as of the Closing Date, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading, and that there has been no material adverse change in the financial condition and affairs of the Qualified Entity during the period from the date of the Official Statement to the Closing Date, which was not disclosed in or contemplated by the Official Statement. The portion of the Preliminary Official Statement summarizing the Qualified Entity and the Qualified Obligations is

deemed final by the Qualified Entity for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the "SEC Rule"), as of its date.

12. Simultaneously with the delivery to the Bond Bank of the Qualified Obligations, the Qualified Entity shall execute and deliver to the Bond Bank a Continuing Disclosure Agreement, with respect to the Qualified Obligations and financial information contained in the Official Statement regarding the Qualified Entity, in order to assist the Underwriter in complying with the SEC Rule.

13. This Purchase Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. The Bond Bank and the Qualified Entity each agree that they will execute any and all documents or other instruments and take such other actions as may be necessary to give effect to the terms of this Purchase Agreement.


14. No waiver by the Bond Bank or the Qualified Entity of any term or condition of this Purchase Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Purchase Agreement.

15. In the event the Qualified Entity or any entity on behalf of the Qualified Entity adopts an ordinance or resolution to refund all or any portion of the Qualified Obligations, the Qualified Entity shall, within 5 days of the adoption of the ordinance or resolution, provide notice to the Bond Bank of the refunding; provided, however, the Qualified Entity agrees not to issue any obligations or allow any obligations to be issued for or on behalf of the Qualified Entity, the proceeds of which will be used in whole or in part to refund all or any portion of the Qualified Obligations, unless: (a) the Qualified Entity provides the Bond Bank with the information necessary for the Bond Bank to prepare a Cash Flow Certificate (as defined in the Bond Bank Indenture); and (b) that Cash Flow Certificate shows that such refunding will not have an adverse effect on the Bond Bank's ability to pay debt service on the Bond Bank Bonds.

16. This Purchase Agreement, together with the Ordinances and the Qualified Obligations, merges and supersedes all prior negotiations, representations and agreements between the Bond Bank and the Qualified Entity relating to the subject matter hereof and constitutes the entire agreement between the Bond Bank and the Qualified Entity with respect hereto.

IN WITNESS WHEREOF, we have hereunto set our hands as of the day and year first above written.


INDIANA BOND BANK

By:   
Tim Berry, Chairperson Ex Officio

Attest:

  
Dan Huges, Executive Director

CITY OF BLOOMINGTON

By:   
Mark Krizan, Mayor

Attest:

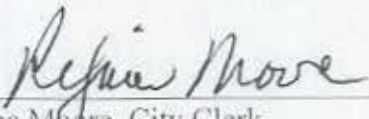
  
Regina Moore, City Clerk

EXHIBIT A

TERMS OF QUALIFIED OBLIGATIONS

CITY OF BLOOMINGTON  
SEWAGE WORKS REVENUE BONDS OF 2006, SERIES A-1

Principal Amount: \$5,240,000  
Original Date: May 4, 2006  
Interest Payable: January 1 and July 1, commencing July 1, 2006  
Maturities: On January 1 in the years and the amounts and bearing interest at the rates per annum set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2017	\$330,000	4.59%	2023	\$495,000	4.80%
2018	\$400,000	4.62%	2024	\$520,000	4.83%
2019	\$415,000	4.64%	2025	\$545,000	4.83%
2020	\$435,000	4.73%	2026	\$570,000	4.83%
2021	\$455,000	4.75%	2027	\$600,000	4.83%
2022	\$475,000	4.78%			

So long as the conditions set forth in Section 15 hereof are met, the Series 2006 A-1 Sewage Works Qualified Obligations are subject to redemption prior to maturity on or after January 1, 2016, in whole or in part on any date as selected by the Qualified Entity, at a redemption price equal to the principal amount of the Series 2006 A-1 Sewage Works Qualified Obligations to be redeemed, plus accrued interest to the redemption date, and without any redemption premium.

CITY OF BLOOMINGTON  
TAXABLE SEWAGE WORKS REVENUE BONDS OF 2006, SERIES A-2

Principal Amount: \$2,850,000  
Original Date: May 4, 2006  
Interest Payable: January 1 and July 1, commencing July 1, 2006  
Maturities: On January 1 in the years and the amounts and bearing interest at the rates per annum set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2008	\$265,000	5.93%
2009	\$275,000	5.93%
2010	\$285,000	5.93%
2011	\$295,000	5.93%
2012	\$310,000	6.63%
2013	\$320,000	6.63%
2014	\$335,000	6.63%
2015	\$350,000	6.63%
2016	\$365,000	6.63%
2017	\$ 50,000	6.63%



CITY OF BLOOMINGTON  
WATERWORKS REVENUE BONDS OF 2006, SERIES A

Principal Amount: \$5,320,000  
 Original Date: May 4, 2006  
 Interest Payable: January 1 and July 1, commencing July 1, 2006  
 Maturities: On the dates, in the amounts and bearing interest at the rates per annum set forth below:

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
7/1/07	\$85,000	3.83%	1/1/18	\$130,000	4.62%
1/1/08	\$90,000	3.87%	7/1/18	\$135,000	4.62%
7/1/08	\$90,000	3.87%	1/1/19	\$140,000	4.64%
1/1/09	\$90,000	3.90%	7/1/19	\$140,000	4.64%
7/1/09	\$95,000	3.92%	1/1/20	\$145,000	4.73%
1/1/10	\$95,000	3.95%	7/1/20	\$150,000	4.73%
7/1/10	\$95,000	3.97%	1/1/21	\$150,000	4.75%
1/1/11	\$100,000	4.00%	7/1/21	\$155,000	4.78%
7/1/11	\$100,000	4.05%	1/1/22	\$160,000	4.78%
1/1/12	\$100,000	4.10%	7/1/22	\$160,000	4.80%
7/1/12	\$105,000	4.15%	1/1/23	\$165,000	4.80%
1/1/13	\$105,000	4.20%	7/1/23	\$170,000	4.83%
7/1/13	\$110,000	4.25%	1/1/24	\$175,000	4.83%
1/1/14	\$110,000	4.27%	7/1/24	\$175,000	4.83%
7/1/14	\$115,000	4.30%	1/1/25	\$180,000	4.83%
1/1/15	\$115,000	4.35%	7/1/25	\$185,000	4.83%
7/1/15	\$120,000	4.40%	1/1/26	\$190,000	4.83%
1/1/16	\$120,000	4.48%	7/1/26	\$195,000	4.83%
7/1/16	\$125,000	4.55%	1/1/27	\$200,000	4.83%
1/1/17	\$125,000	4.59%			
7/1/17	\$130,000	4.59%			

So long as the conditions set forth in Section 15 hereof are met, the Waterworks Qualified Obligations maturing on or after July 1, 2016, are subject to redemption prior to maturity on or after January 1, 2016, in whole or in part on any date as selected by the Qualified Entity, at a redemption price equal to the principal amount of the Waterworks Qualified Obligations to be redeemed, plus accrued interest to the redemption date, and without any redemption premium.

CITY OF BLOOMINGTON  
**Accounts Payable Edit Listing**

U42705

Vendor/Remittance Address	Number	Description	Invoice Date	G/L Date	Due Date	Received Date	Confirming EFT G/L Date	Notes	Amounts
3644 - SunTrust Equipment Finance & Leasing Corp	1544686	Lease/purchase agreement for vehicles purchased in 2013 - ACCT	12/01/2014	12/19/2014	12/15/2014			No	Gross: 108,965.31
Invoice Department: Utilities Accounting Utilities, Accounting		Check Sort Code:			Bank Account: Utilities Operating				Freight: 0.00 State Tax: 0.00
SunTrust Equipment Finance & Leasing Corp PO Box 79194 BALTIMORE, MD 21279-0194		Check Code: Manual Check: No Check Number: 22298			Invoice Terms: Hold Reason:				County Tax: 0.00 Local/City Tax: 0.00 Discount: 0.00 Retainage: 0.00 Net Amount: \$108,965.31

Detail:	P.O. Number	C/D/F/T/ A/1099	Description	Quantity	U/M	Amount/Unit	Total Amount
		N/N/N/N/N	Financial Services - Banking, Bond, Collection, Credit Card - Lease/purchase agreement for vehicles purchased in 2013 - ACCT	1.0000	Ea	108,965.3100	108,965.31

G/L Distribution:	G/L Account/Project	Expensed	Unencumbered
	009-00-900000-U42705 ( Water-Default-Default-Interest Expense Capital Lease)	3,427.56	0.00
	009-U23201 ( Water-Other Short Term Debt Capital Lease)	37,604.73	0.00
	010-00-950000-U42705 ( Wastewater-Default-Default-Interest Expense Capital Lease)	5,664.12	0.00
	010-U23201 ( Wastewater-Other Short Term Debt Capital Lease)	62,268.90	0.00

Total Invoice Items: 1 Invoice Amount Expensed: \$108,965.31 Invoice Amount Unencumbered: \$0.00

**Goods/Services Received**



*[Handwritten Signature]*  
 \_\_\_\_\_  
 Signature

12-9-14  
 \_\_\_\_\_  
 Date



PO Box 79194  
Baltimore, MD 21279-0194

**Remittance Section**

Customer Number: 4440000691  
 Invoice Number: 1544686  
 Invoice Date: 12/01/14  
 Due Date: 01/15/15  
 Past Due: \$0.00  
**Current Due: \$108,965.31**  
**Total Due: \$108,965.31**

Address Service Requested

Please check here if your address has changed.  
Provide new address on reverse side.

Please include Account Name & Number on all Checks. Use enclosed envelope and make payable to:

2359000312 PRESORT 312 1 SP 0.480 P3C2 <B>

BLOOMINGTON, IN, CITY OF  
 MICHAEL HORSTMAN  
 600 E MILLER DRIVE  
 BLOOMINGTON IN 47401-6540

SUNTRUST EQUIPMENT FINANCE & LEASING CORP  
 PO BOX 79194  
 BALTIMORE, MD 21279-0194

Please detach and return above portion with your payment



PO Box 79194  
Baltimore, MD 21279-0194

Customer Number: 4440000691 Due Date: 01/15/15  
 Invoice Number: 1544686 Past Due: \$0.00  
 Invoice Date: 12/01/14 Current Due: \$108,965.31  
**Total Due: \$108,965.31**

**Important Messages**



**A PARTNERSHIP TO HELP YOU GROW YOUR BUSINESS.**

SunTrust Equipment Finance and Leasing Corp. recently partnered with SunTrust Robinson Humphrey. Our goal is still to know your business as well as you do. This partnership reinforces our commitment to meeting and exceeding your equipment financing and leasing needs.

For more information, see the enclosed insert or contact us at 866.608.3037.



SunTrust Robinson Humphrey is a federally registered service mark of SunTrust Robinson Humphrey, Inc.

Contract Number	Description	Payment Type	Amount	Tax	Total
443-4008482-002	VEHICLES AND EQUIPMENT	Payment	108,965.31	0.00	108,965.31
<p><b>RECEIVED</b>            DEC 09 2014            ACCOUNTS PAYABLE</p>					
<b>Current Due:</b>					<b>\$108,965.31</b>



If you have questions regarding your bill, please give us a call and we will be happy to assist you.

866-608-3037

2013 CAPITAL LEASE

Payment Date	Payment Amount	Interest Payment	WATER	WW	Principal Payment	WATER	WW
1/15/2014	108,965.31	13,984.58	5,272.19	8,712.39	94,980.73	35,762.44	59,218.29
7/15/2014	108,965.31	10,173.45	3,835.39	6,338.06	98,791.86	37,197.42	61,594.44
1/15/2015	108,965.31	9,091.68	3,427.56	5,664.12	99,873.63	37,604.73	62,268.90
7/15/2015	108,965.31	7,998.06	3,015.27	4,982.79	100,967.25	38,016.50	62,950.75
1/15/2016	108,965.31	6,892.47	2,598.46	4,294.01	102,072.84	38,432.78	63,640.06
7/15/2016	108,965.31	5,774.77	2,177.09	3,597.68	103,190.54	38,853.62	64,336.92
1/15/2017	108,965.31	4,644.84	1,751.10	2,893.74	104,320.47	39,279.07	65,041.40
7/15/2017	108,965.31	3,502.53	1,320.45	2,182.08	105,462.78	39,709.17	65,753.61
1/15/2018	108,965.31	2,347.71	885.09	1,462.62	106,617.60	40,143.99	66,473.61
7/15/2018	108,965.31	1,180.23	444.95	735.28	107,785.08	40,583.60	67,201.48
			24,727.55	40,862.77		385,583.32	638,479.46
Totals	<u>\$ 1,089,653.10</u>	<u>\$ 65,590.32</u>			<u>\$ 1,024,062.78</u>		

City of Bloomington Utilities  
 PO Box 1216  
 Bloomington, IN 47402-1216  
 812-349-3670

## PURCHASE REQUISITION

City of Bloomington Utilities

DATE: 12/9/2014 REQUISITION # ACCT 14-053  
 DEPARTMENT: Accounting CHARGE TO: W/WW  
 REQUESTED BY: Missy Waldon ACCOUNT # \_\_\_\_\_  
 OTHER APPROVAL: \_\_\_\_\_ DATE REQ. 1/15/2015

SUGGESTED VENDOR: SUNTRUST EQUIPMENT FINANCE & LEASING CORP  
 ADDRESS & PHONE # P.O. BOX 79194  
BALTIMORE, MD 21279-0194

REC'D	QTY	PART #	FULL DESCRIPTION	PRICE	TOTAL
			Lease/Purchase agreement for vehicles purchased in 2013		
		Water Principal	009-U23201		\$37,604.73
		WW Principal	010-U23201		\$62,268.90
		Water Interest	009-00-900000-U42705		\$3,427.56
		WW Interest	010-00-950000-U42705		\$5,664.12
			GRAND TOTAL:		\$108,965.31

COMMENTS: \_\_\_\_\_  
 \_\_\_\_\_

THANK YOU!

THIS BOX IS FOR PURCHASING'S USE ONLY

VENDOR: _____	P.O. # _____
ADDRESS: _____	ORDERED BY: _____
PHONE: _____	DATE ORDERED: _____
CONF NAME _____	LEAD TIME: _____

**2014 CAPITAL LEASE  
PUBLIC FINANCE INC**

Payment Date	Payment Amount	Unpaid Balance	Interest Payment	INTEREST WATER	INTEREST WW	INTEREST STORM	Principal Payment	PRINCIPAL WATER	PRINCIPAL WW	PRINCIPAL STORM
		1,599,721.00								
7/1/2015	170,599.11	1,451,411.34	22,289.45	<b>4,903.68</b>	<b>15,379.72</b>	<b>2,006.05</b>	148,309.66	<b>33,280.69</b>	<b>101,740.43</b>	<b>13,288.55</b>
1/1/2016	170,599.11	1,297,358.33	16,546.10	<b>3,640.14</b>	<b>11,416.81</b>	<b>1,489.15</b>	154,053.01	<b>34,569.50</b>	<b>105,680.36</b>	<b>13,803.15</b>
7/1/2016	170,599.11	1,141,549.11	14,789.89	<b>3,253.78</b>	<b>10,205.02</b>	<b>1,331.09</b>	155,809.22	<b>34,963.59</b>	<b>106,885.12</b>	<b>13,960.51</b>
1/1/2017	170,599.11	983,963.66	13,013.66	<b>2,863.00</b>	<b>8,979.43</b>	<b>1,171.23</b>	157,585.45	<b>35,362.17</b>	<b>108,103.62</b>	<b>14,119.66</b>
7/1/2017	170,599.11	824,581.74	11,217.19	<b>2,467.78</b>	<b>7,739.86</b>	<b>1,009.55</b>	159,381.92	<b>35,765.30</b>	<b>109,336.00</b>	<b>14,280.62</b>
1/1/2018	170,599.11	663,382.87	9,400.24	<b>2,068.05</b>	<b>6,486.17</b>	<b>846.02</b>	161,198.87	<b>36,173.03</b>	<b>110,582.42</b>	<b>14,443.42</b>
7/1/2018	170,599.11	500,346.33	7,562.57	<b>1,663.77</b>	<b>5,218.17</b>	<b>680.63</b>	163,036.54	<b>36,585.40</b>	<b>111,843.07</b>	<b>14,608.07</b>
1/1/2019	170,599.11	335,451.17	5,703.95	<b>1,254.86</b>	<b>3,935.73</b>	<b>513.36</b>	164,895.16	<b>37,002.47</b>	<b>113,118.08</b>	<b>14,774.61</b>
7/1/2019	170,599.11	168,676.20	3,824.14	<b>841.31</b>	<b>2,638.66</b>	<b>344.17</b>	166,774.97	<b>37,424.30</b>	<b>114,407.63</b>	<b>14,943.04</b>
1/1/2020	170,599.11	0.00	1,922.91	<b>423.04</b>	<b>1,326.81</b>	<b>173.06</b>	168,676.20	<b>37,848.80</b>	<b>115,719.17</b>	<b>15,108.13</b>
				23,379.40	73,326.37	9,564.31		358,975.25	1,097,415.91	143,329.74
Totals	<u>\$ 1,705,991.10</u>		<u>\$ 106,270.10</u>				<u>\$ 1,599,721.00</u>			

City of Bloomington Utilities  
EFT PAYMENT

City of Bloomington Utilities  
PO Box 1216  
Bloomington, IN 47402-1216  
812-349-3670

**PURCHASE REQUISITION**

City of Bloomington Utilities

DATE: 2/5/2015 REQUISITION # \_\_\_\_\_

DEPARTMENT: Accounting CHARGE TO: W/WW

REQUESTED BY: Missy Waldon ACCOUNT # \_\_\_\_\_

OTHER APPROVAL: \_\_\_\_\_ DATE REQ. 7/1/2015

SUGGESTED VENDOR: PUBLIC - FINANCE.COM.INC

ADDRESS & PHONE # \_\_\_\_\_

REC'D	QTY	PART #	FULL DESCRIPTION	PRICE	TOTAL
			Lease/Purchase agreement for vehicles purchased in 2014		
		Water Principal	009-U23201		\$33,280.68
		WW Principal	010-U23201		\$101,740.43
		Storm Principal	011-U23201		\$13,288.55
		Water Interest	009-00-900000-U42705		\$4,903.68
		WW Interest	010-00-950000-U42705		\$15,379.72
		Storm Interest	011-81-950000-U42705		\$2,006.05
			GRAND TOTAL:		\$170,599.11

COMMENTS: \_\_\_\_\_

THANK YOU!

THIS BOX IS FOR PURCHASING'S USE ONLY

VENDOR: _____	P.O. # _____
ADDRESS: _____	ORDERED BY: _____
PHONE: _____	DATE ORDERED: _____
CONF NAME _____	LEAD TIME: _____

HUNTINGTON PUBLIC CAP CORP  
C/O HUNTINGTON NATIONAL BANK  
P O BOX 701096  
CINCINNATI OH 45270-1096

**INVOICE**

DATE OF INVOICE 05/17/2015  
INVOICE NUMBER 427742



Customer Service is available at  
1-866-329-7286

75165-000034-001  
CITY OF BLOOMINGTON, INDIANA  
ATTN: JEFF UNDERWOOD  
401 N MORTON ST  
BLOOMINGTON IN 47404-3729



City of Bloomington Utilities  
EFT PAYMENT

**INVOICE SUMMARY**

Contract Number	Description	Due Date	Contract Payment	Sales/Use Tax	Late Charges	Total Due
101-0010839-002	Trucks Tractors Rental	07/01/2015	\$170,599.11			\$170,599.11

**RECEIVED**

MAY 28 2015

ACCOUNTS PAYABLE

**IMPORTANT MESSAGES**

We appreciate your business.

PLEASE DETACH LOWER PORTION AND RETURN WITH THE ENCLOSED ENVELOPE.

INVOICE DATE	INVOICE NUMBER	DUE DATE	TOTAL AMOUNT DUE
05/17/2015	427742	07/01/2015	\$170,599.11

<b>AMOUNT ENCLOSED</b>	170,599.11
------------------------	------------

PLEASE CHECK BOX TO INDICATE MAILING ADDRESS OR PHONE NUMBER CHANGES INDICATED ON REVERSE.

**MAKE CHECKS PAYABLE TO:**

CITY OF BLOOMINGTON, INDIANA  
ATTN: JEFF UNDERWOOD  
401 N MORTON ST  
BLOOMINGTON IN 47404-3729

HUNTINGTON PUBLIC CAP CORP  
C/O HUNTINGTON NATIONAL BANK  
P O BOX 701096  
CINCINNATI OH 45270-1096

000042774200170599114

740-4006-1010F



CITY OF BLOOMINGTON  
**Accounts Payable Edit Listing**

Vendor/Remittance Address	Number	Description	Invoice Date	G/L Date	Due Date	Received Date	Confirming EFT G/L Date	Notes	Amounts
5220 - Huntington Public Capital Corporation	427742	Lease/purchase payment due for vehicles purchased 2014	07/01/15	05/17/2015	06/19/2015	06/15/2015		No	Gross: 170,599.11
									Freight: 0.00
Invoice Department: Utilities Accounting		Check Sort Code:	Bank Account: Utilities Operating			State Tax: 0.00			
Utilities Accounting									
HPC C/O Huntington Equipment Finance		Check Code:	Invoice Terms:			County Tax: 0.00			
525 Vine Street 14th Floor		Manual Check: No	Hold Reason:			Local/City Tax: 0.00			
CINCINNATI, OH 45202		Check Number:				Discount: 0.00			
									Retainage: 0.00
									Net Amount: \$170,599.11


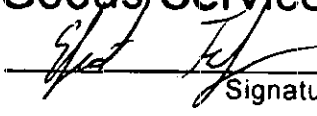
**City of Bloomington Utilities  
EFT PAYMENT**

Detail:	P.O. Number	C/D/F/T/A/1099	Description	Quantity	U/M	Amount/Unit	Total Amount
		N/N/N/N/N/N	Financial Services - Banking, Bond, Collection, Credit Card - Lease/purchase payment due 07/01/15 for vehicles purchased 2014	1.0000	Ea	170,599.1100	170,599.11

G/L Distribution:	G/L Account/Project	Expensed	Unencumbered
	009-00-900000-U42705 ( Water-Default-Default-Interest Expense Capital Lease)	4,903.68	0.00
	009-U23201 ( Water-Other Short Term Debt Capital Lease)	33,280.68	0.00
	010-00-950000-U42705 ( Wastewater-Default-Default-Interest Expense Capital Lease)	15,379.72	0.00
	010-U23201 ( Wastewater-Other Short Term Debt Capital Lease)	101,740.43	0.00
	<del>011-81-950000-U42705 ( Stormwater-Stormwater-Default-Interest Expense Capital Lease)</del>	2,006.05	0.00
	<del>011-U23201 ( Stormwater-Other Short Term Debt Capital Lease)</del>	13,288.55	0.00

Total Invoice Items: 1 Invoice Amount Expensed: \$170,599.11 Invoice Amount Unencumbered: \$0.00

**Goods/Services Received**


  
 Signature  
 6-11-15  
 Date

# **CITY OF BLOOMINGTON, INDIANA**

## **Accounting Workpapers Present and Proposed Rates and Charges**

ISSUED PURSUANT TO

EFFECTIVE

43939 MAR 09 2011 BLOOMINGTON MUNICIPAL WATER UTILITY  
 Bloomington, Indiana

NOV 28 2011

Date  
 Indiana Utility Regulatory Commission

INDIANA UTILITY  
 REGULATORY COMMISSION

Schedule of Rates and Charges

Monthly usage charge applicable to Residential, Commercial, Governmental, Interdepartmental, Industrial, Indiana University – Master Metered, Indiana University – Non-Master Metered, Irrigation classes

<u>Category</u>	<u>Rates Per 1,000 Gallons</u>
Residential	\$ 3.11
Commercial, Governmental, Interdepartmental	2.63
Industrial	2.43
Indiana University – Master Metered	1.97
Indiana University – Non-Master Metered	2.63
Irrigation	2.85

Monthly Service Charge, in Addition to Monthly Usage for the customer categories listed above

<u>Meter Size</u>	<u>Charge</u>	<u>Meter Size</u>	<u>Charge</u>
5/8"	\$ 4.91	3"	\$ 50.43
3/4"	6.55	4"	82.93
1"	8.82	6"	164.19
1 1/2"	15.32	8"	245.45
2"	21.82	10"	326.70

Monthly Surcharges for Fire Protection Service for the customer categories listed above excluding Indiana University – Master Metered

<u>Meter Size</u>	<u>Charge</u>		<u>Meter Size</u>	<u>Charge</u>	
	<u>Inside City</u>	<u>Outside City</u>		<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 1.63	\$ 2.73	3"	\$ 28.51	\$ 47.89
3/4"	2.44	4.11	4"	48.87	82.07
1"	4.07	6.85	6"	101.84	170.99
1 1/2"	8.15	13.67	8"	146.64	246.21
2"	13.03	21.90	10"	236.24	396.69

The monthly Fire Protection Charge for Indiana University – Master Metered accounts as a group shall be \$1,494.63.

Approved by the Indiana Utility Regulatory Commission  
 Cause No. 43939, Order dated March 2, 2011

**BLOOMINGTON MUNICIPAL WATER UTILITY**  
Bloomington, Indiana

**Schedule of Rates and Charges**

ISSUED PURSUANT TO

43939

MAR 09 2011

Date  
Indiana Utility Regulatory Commission

Contract Sales for Resale

The rate for contract sales for resale shall be \$1.99 per one thousand gallons.

Contract Sales for Resale Monthly Service Charge in Addition to Monthly Usage Charge

<u>Meter Size</u>	<u>Charge</u>	<u>Meter Size</u>	<u>Charge</u>
5/8"	\$ 4.91	3"	\$ 50.43
3/4"	6.55	4"	82.93
1"	8.82	6"	164.19
1 1/2"	15.32	8"	245.45
2"	21.82	10"	326.70

Private fire connections per connection

<u>Line Size</u>	<u>Monthly</u>	<u>Annually</u>
4" and under	\$ 8.21	\$ 98.52
6"	22.82	273.84
8"	46.77	561.24
10"	81.91	982.92
12"	129.14	1,549.68

EFFECTIVE

NOV 28 2011

INDIANA UTILITY  
REGULATORY COMMISSION

Approved by the Indiana Utility Regulatory Commission  
Cause No. 43939, Order dated March 2, 2011

**BLOOMINGTON MUNICIPAL WATER UTILITY**  
Bloomington, Indiana

Non-Recurring Charges

**EFFECTIVE**

**MAR 09 2011**

INDIANA UTILITY  
REGULATORY COMMISSION

<u>Description of Charge</u>		<u>Charges</u>
1)	5/8 to 1" Connection	
	- with tap	\$848.14
	- without tap	\$776.18
2)	Greater than 1" Connection	Cost of connection but not less than charge for 5/8 to 1" connection
3)	Service Call	
	- During hours	\$18.00
	-After hours	\$54.00
4)	Bad Check Charge	\$25.00
5)	Late Payment Charge	3% of unpaid balance

This charge shall be paid only once and shall be based on the unpaid over-due balance.

6)	Deposit	
	- Residential	Not to exceed \$25.00
	- Commercial	Not to exceed 1/6 of estimated annual bill

7) Meter Testing

The utility shall make a free test of the accuracy of a meter upon written request by a customer and a second free test may be requested twelve months subsequent to the first test. The fee for all meter tests requested within thirty-six months after the preceding test shall be \$39.00 if the meter is found not to be at fault.

8) Inspection Charge

All inspections of new mains during normal business hours shall be free of charge. All inspections of new mains during overtime hours shall be based on the amount of time required for the inspection.

9)	Temporary Service	\$10.00/week
----	-------------------	--------------

\$10.00 minimum plus a deposit equal to the cost of the meter and a charge for the water used.

10) Extension of Service

Free if estimated 3-year revenue is greater than the construction cost. Actual cost if not.

11) Unauthorized Use of Hydrants

Cost of water figured at 8 hours of flow from hydrants.

ISSUED PURSUANT TO

43939  
**MAR 02 2011**

Date \_\_\_\_\_  
Indiana Utility Regulatory Commission

Approved by the Indiana Utility Regulatory Commission  
Cause No. 43939, Order dated March 2, 2011

ISSUED PURSUANT TO

43939

BLOOMINGTON MUNICIPAL WATER UTILITY  
Bloomington, Indiana

EFFECTIVE

MAR 09 2011

Date ~~MAR 09 2011~~  
Indiana Utility Regulatory Commission

Schedule of Rates and Charges

INDIANA UTILITY  
REGULATORY COMMISSION

Monthly usage charge applicable to Residential, Commercial, Governmental, Interdepartmental, Industrial, Indiana University – Master Metered, Indiana University – Non-Master Metered classes

<u>Category</u>	<u>Rates Per 1, 000 Gallons</u>
Residential	\$ 2.47
Commercial, Governmental, Interdepartmental	2.09
Industrial	1.93
Indiana University – Master Metered	1.56
Indiana University – Non-Master Metered	2.09
Irrigation	2.26

Monthly Service Charge, in Addition to Monthly Usage for the customer categories listed above

<u>Meter Size</u>	<u>Charge</u>	<u>Meter Size</u>	<u>Charge</u>
5/8"	\$ 3.90	3"	\$ 40.03
3/4"	5.20	4"	65.82
1"	7.00	6"	130.32
1 1/2"	12.16	8"	194.82
2"	17.32	10"	259.31

Monthly Surcharges for Fire Protection Service for the customer categories listed above excluding Indiana University – Master Metered

<u>Meter Size</u>	<u>Charge</u>		<u>Meter Size</u>	<u>Charge</u>	
	<u>Inside City</u>	<u>Outside City</u>		<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 1.29	\$ 2.17	3"	\$ 22.63	\$ 38.01
3/4"	1.94	3.26	4"	38.79	65.14
1"	3.23	5.44	6"	80.83	135.72
1 1/2"	6.47	10.85	8"	116.39	195.42
2"	10.34	17.38	10"	187.51	314.86

The monthly Fire Protection Charge for Indiana University – Master Metered accounts as a group shall be \$1,186.31.

Approved by the Indiana Utility Regulatory Commission  
Cause No. 43939, Order dated March 2, 2011

**BLOOMINGTON MUNICIPAL WATER UTILITY**  
Bloomington, Indiana

Schedule of Rates and Charges

Contract Sales for Resale

The rate for contract sales for resale shall be \$1.58 per one thousand gallons.

Contract Sales for Resale Monthly Service Charge in Addition to Monthly Usage Charge

<u>Meter Size</u>	<u>Charge</u>	<u>Meter Size</u>	<u>Charge</u>
5/8"	\$ 3.90	3"	\$ 40.03
3/4"	5.20	4"	65.82
1"	7.00	6"	130.32
1 1/2"	12.16	8"	194.82
2"	17.32	10"	259.31

Private fire connections per connection

<u>Line Size</u>	<u>Monthly</u>	<u>Annually</u>
4" and under	\$ 6.52	\$ 78.24
6"	18.11	217.32
8"	37.12	445.44
10"	65.01	780.12
12"	102.50	1,230.00

ISSUED PURSUANT TO  
43939  
MAR 02 2011  
Date  
Indiana Utility Regulatory Commission

EFFECTIVE  
MAR 09 2011  
INDIANA UTILITY  
REGULATORY COMMISSION

Approved by the Indiana Utility Regulatory Commission  
Cause No. 43939, Order dated March 2, 2011

**BLOOMINGTON MUNICIPAL WATER UTILITY**  
Bloomington, Indiana

Non-Recurring Charges

**EFFECTIVE**

**MAR 09 2011**

INDIANA UTILITY  
REGULATORY COMMISSION

<u>Description of Charge</u>		<u>Charges</u>
1)	5/8 to 1" Connection	
	- with tap	\$848.14
	- without tap	\$776.18
2)	Greater than 1" Connection	Cost of connection but not less than charge for 5/8 to 1" connection
3)	Service Call	
	- During hours	\$18.00
	-After hours	\$54.00
4)	Bad Check Charge	\$25.00
5)	Late Payment Charge	3% of unpaid balance
This charge shall be paid only once and shall be based on the unpaid over-due balance.		
6)	Deposit	
	- Residential	Not to exceed \$25.00
	- Commercial	Not to exceed 1/6 of estimated annual bill

7) Meter Testing

The utility shall make a free test of the accuracy of a meter upon written request by a customer and a second free test may be requested twelve months subsequent to the first test. The fee for all meter tests requested within thirty-six months after the preceding test shall be \$39.00 if the meter is found not to be at fault.

8) Inspection Charge

All inspections of new mains during normal business hours shall be free of charge. All inspections of new mains during overtime hours shall be based on the amount of time required for the inspection.

9) Temporary Service \$10.00/week

\$10.00 minimum plus a deposit equal to the cost of the meter and a charge for the water used.

10) Extension of Service

Free if estimated 3-year revenue is greater than the construction cost. Actual cost if not.

11) Unauthorized Use of Hydrants

Cost of water figured at 8 hours of flow from hydrants.

**ISSUED PURSUANT TO**

**43939**  
**MAR 02 2011**

Date \_\_\_\_\_  
Indiana Utility Regulatory Commission

Approved by the Indiana Utility Regulatory Commission  
Cause No. 43939, Order dated March 2, 2011



Passed 9-0

ORDINANCE 11-13

TO AMEND TITLE 10  
OF THE BLOOMINGTON MUNICIPAL CODE ENTITLED  
"WASTEWATER"  
(Wastewater Rate Adjustment)

WHEREAS, the City of Bloomington, Indiana (the "City") has established, acquired, and financed its sewage works pursuant to Indiana Code 36-9-23, as amended (the "Act"), for the purpose of providing for the collection, treatment and disposal of sewage from inhabitants in and around the City; and

WHEREAS, Crowe Horwath LLP, financial advisor to the City, has prepared a rate report concerning the current rates and charges of the sewage works (the "Report"); and

WHEREAS, based upon the Report, the Common Council of the City (the "Council") finds that the current rates and charges for the use of and service rendered by the sewage works do not produce sufficient revenues to pay all the legal and necessary expenses incident to the operation of such sewage works, including legal expenses, maintenance costs, operating charges, repairs, lease rentals and interest charges on bonds or other obligations of the sewage works, to provide a sinking fund for the liquidation of indebtedness, and to provide adequate funds to be used as working capital and funds for making extensions and replacements and to make payments in lieu of taxes; and

WHEREAS, based upon the Report, the Council finds that the current rates and charges do not produce an income sufficient to maintain the sewage works property in a sound physical and financial condition to render adequate and efficient service; and

WHEREAS, the Council finds that the current rates and charges for the use of and service rendered by the sewage works must be increased in order to provide sufficient revenue to meet such requirements; and

WHEREAS, the Council finds that the rates and charges set forth herein are based upon the cost of providing service to the customers of the sewage works and will enable the City to meet its legal revenue requirements for the sewage works; and

WHEREAS, the Utilities Service Board of the City has recommended, after due consideration, including consideration of the Report, that the rates and charges set forth herein should be approved by the Council; and

WHEREAS, the Council has caused notice of a public hearing on the rates and charges set forth herein to be duly advertised and mailed, and has held a public hearing thereon, all pursuant to the Act;

NOW THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF BLOOMINGTON, INDIANA THAT:

Section 1. Section 10.08.040 of the Bloomington Municipal Code (the "Code"), entitled "Rates—Metered water users", is hereby amended and restated to read as follows:

"10.08.040 Rates—Metered water users. General service rates shall be applicable to all metered water users except those with other than average strengths of BOD and suspended solids. The general service rates shall be determined as follows:

Monthly service charge (per meter)	\$6.52
User Charge	
Charge per 1,000 gallons per month for all billable usage:	
Residential <sup>(a)</sup>	\$6.36
Commercial	\$6.36
Indiana University	\$6.36
Industrial <sup>(b)</sup>	\$6.36

- (a) Residential summer rates for billings issued during the months of June, July, August, and September shall be based upon the average metered water consumption for billings issued during the months of April and May or actual usage, whichever is less. In order to more accurately reflect the actual wastewater usage of these customers, the Utilities Service Board may, by the adoption of a resolution, change the months used to set the summer rates and the length of time the summer rates are in effect. All other users shall be charged on the basis of one hundred percent of metered water consumption subject to user proof of lower wastewater use.
- (b) Industrial user rates and charges shall be based on the quantity of water used as well as any special service rates that may apply."

Section 2. Section 10.08.070 of the Code, entitled "Rates—Nonmetered users", is hereby amended and restated to read as follows:

"10.08.070 Rates—Nonmetered users. The minimum rate or charge for any service where the user is not a metered water user shall be six hundred and thirty-three dollars and ninety-nine cents (\$633.99) per year, payable monthly. At the request of the utility or user, a meter which measures either the water use of the customer or the discharge into the sanitary sewer system shall be installed at the user's expense. Where a meter has been installed or the customer's water use records are available at no charge from the water supplier, the charge for service shall be computed on the basis of water usage plus monthly service charge, just as it is with a metered user, subject to the annual minimum charge."

Section 3. Subsection (b) of Section 10.08.110 of the Code, entitled "Special service rates", is hereby amended and restated to read as follows:


"(b) Special Rates. Special service rates shall be determined as follows:

Monthly service charge (per meter)	\$ 6.52
Special laboratory analysis monthly charge	
Strength of BOD and SS sampling charge	\$136.80
Grease and oil sampling charge	\$128.24
Metal sampling charge (per metal per test)	\$ 28.50
User Charge	
Charge per 1,000 gallons per month for all billable usage:	
Non-excessive strength rate	\$6.52
Extra Strength Charge	
Charge per pound per month for all strength in excess of 300 ppm:	
BOD	\$0.309
Suspended Solids	\$0.251

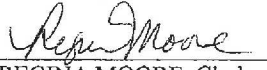
Section 4. Severability. If any section, sentence, or provision of this ordinance or the application thereof to any person or circumstance shall be declared invalid, such invalidity shall not affect any of the other parts of this ordinance which can be given effect without the invalid part, and to this end the provisions of this ordinance are declared to be severable.

Section 5. This ordinance shall be in full force and effect upon its passage by the Common Council of the City of Bloomington, Monroe County, Indiana, and approval of the Mayor; provided, however, that the rates and charges herein approved shall not take effect until March 1, 2012.

PASSED AND ADOPTED by the Common Council of the City of Bloomington, Monroe County, Indiana, upon this 21<sup>st</sup> day of December, 2011.

  
SUSAN SANDBERG, President  
Bloomington Common Council

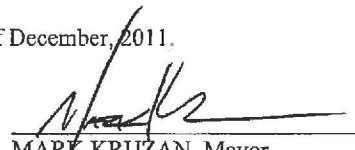
ATTEST:

  
REGINA MOORE, Clerk  
City of Bloomington

PRESENTED by me to the Mayor of the City of Bloomington, Monroe County, Indiana, upon this 21<sup>st</sup> day of December, 2011.

  
REGINA MOORE, Clerk  
City of Bloomington

SIGNED and APPROVED by me upon this 30<sup>th</sup> day of December, 2011.

  
MARK KRUZAN, Mayor  
City of Bloomington

#### SYNOPSIS

This ordinance amends the rates and charges included in Title 10 of the Bloomington Municipal Code, entitled "Wastewater", to cover the cost of inflation, extensions and replacements, refunding one series of bonds, reimbursement for services provided by the City, and the providing an adequate amount for bond Reserve Funds. The provisions will go into effect on March 1, 2012.

**ORDINANCE 16-08**

**TO AMEND TITLE 9  
OF THE BLOOMINGTON MUNICIPAL CODE ENTITLED "WATER"  
(Rate Adjustment)**

WHEREAS, the City of Bloomington, Indiana ("City") owns and operates a waterworks system, through its Utilities Service Board, pursuant to IC 8-1.5-2 and IC 8-1.5-3, as amended ("Act"), which waterworks system is subject to the jurisdiction of the Indiana Utility Regulatory Commission ("Commission"); and,

WHEREAS, the current rates and charges of the waterworks system of the City were established by Order of the Commission in Cause No. 43939 on the 2<sup>nd</sup> Day of March, 2011; and,

WHEREAS, the City, through its Utilities Service Board, recommends necessary construction of additions and improvements to the waterworks, including maintaining and improving water quality, replacement and rehabilitation of water mains, tanks, booster stations and hydrants; and,

WHEREAS, the City, through its Utilities Service Board, determined that it will be necessary to finance said additions and improvements through the issuance of bonds and, if necessary, bond anticipation notes; and,

WHEREAS, the City, through its Utilities Service Board, engaged Crowe Horwath, LLP to study the revenue requirements for the waterworks system pursuant to the provisions of the Act; and,

WHEREAS, Crowe Horwath, LLP studied the revenue requirements of the waterworks system pursuant to the provisions of the Act and determined that the waterworks system annual operating revenues from water service do not produce sufficient revenues to meet the requirements of the Act and that said revenues need to be increased to provide income sufficient to pay the debt service on the proposed financing of the additions and improvements to the waterworks and otherwise provide for the revenue requirements set forth in the Act, specifically IC 8-1.5-3-8; and,

WHEREAS, the City, through its Utilities Service Board, upon consideration of the study prepared by Crowe Horwath, LLP, recommends that the Common Council approve a 22% increase in the rates and charges of the waterworks; and,

WHEREAS, based upon the aforementioned study, and the recommendations of the Utility Service Board, the Common Council of the City finds that the rates and charges of the waterworks system of the City should be increased as set forth herein and take effect at such time as may be determined in an upcoming proceeding before the Indiana Utility Regulatory Commission, so as to produce sufficient revenues to meet the requirements of the Act; and,

WHEREAS, the Common Council of the City finds that the rates and charges set forth herein are nondiscriminatory, reasonable and just and are based upon the cost of providing service to the customers of the waterworks system of the City;

NOW, THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA, THAT:

SECTION 1. Section 9.08.010 of the City Code of Bloomington ("Code"), entitled "Monthly rates generally" is hereby amended and restated as follows:

**9.08.010 Monthly rates generally.**

The following rates and charges are established for the use of and service rendered by the water utility of the city. The schedule of rates and charges for the use of the water utility as set forth in this chapter reflects the rates and charges of the water utility as adopted by ordinance of the common Council of the City and may not necessarily reflect the actual rates and charges of the water utility, which are subject to the approval of the Indiana Utility Regulatory commission ("Commission"). The actual rates and charges of the water utility as approved by the Commission are set forth in the most recent tariff of the water utility on file with the Commission and the Clerk of the City and open for public inspection. Appropriate Indiana Sales Tax will also apply to billings for customers that are not tax-exempt. Each customer will pay a monthly charge according to the following schedule:

**Monthly Usage Charge Applicable to Residential, Commercial, Governmental, Interdepartmental, Industrial, Indiana University – Master Metered, Indiana University – Non-Master Metered, and Irrigation Classes.**

Category	Rate Per 1,000 gallons
Residential	3.79
Commercial, Governmental, Interdepartmental	3.21
Industrial	2.96
Indiana University – Master Metered	2.40
Indiana University – Non-Master Metered	3.21
Irrigation	3.48

**Monthly Service Charge, in Addition to Monthly Usage for the Customer Categories Listed Above.**

Meter Size	Charge	Meter Size	Charge
5/8"	5.99	3"	61.52
3/4"	7.99	4"	101.17
1"	10.76	6"	200.31
1 1/2"	18.69	8"	299.45
2"	26.62	10"	398.57

**Monthly Surcharges for Fire Protection Service for the customer categories listed above (excluding Indiana University – Master Metered).**

Meter Size	Charge		Meter Size	Charge	
	Inside City	Outside City		Inside City	Outside City
5/8"	1.99	3.33	3"	34.78	58.43
3/4"	2.98	5.01	4"	59.62	100.13
1"	4.97	8.36	6"	124.24	208.61
1 1/2"	9.94	16.68	8"	178.90	300.38
2"	15.90	26.72	10"	288.21	483.96

The monthly Fire Protection Charge for Indiana University – Master Metered accounts as a group shall be \$1,823.45.

SECTION 2. Section 9.08.020 of the Code, entitled "Contract sales for resale" is hereby amended and restated as follows:

**9.08.020 Contract sales for resale.**

The rate for contract sales for resale shall be \$2.43 per one thousand gallons.

**Monthly Service Charge in Addition to Monthly Usage Charge.**

Meter Size	Charge	Meter Size	Charge
5/8"	5.99	3"	61.52
3/4"	7.99	4"	101.17
1"	10.76	6"	200.31
1 1/2"	18.69	8"	299.45
2"	26.62	10"	398.57

SECTION 3. Section 9.08.040 of the Code, entitled "Private fire connections per connection" is hereby amended and restated as follows:

**9.08.040 Private fire connections per connection.**

Line Size	Monthly	Annually
4 inch line or smaller	10.02	120.19
6 inch line	27.84	334.08
8 inch line	57.06	684.71
10 inch line	99.93	1,199.16
12 inch line	157.55	1,890.61


SECTION 4. All ordinances and parts of ordinances in conflict herewith are hereby repealed; provided, however, that the existing rates and charges of the waterworks system of the City shall remain in full force and effect until the rates and charges fixed by this ordinance shall be approved by order of the Commission and the tariff reflecting said approved rates and charges shall have been filed with and approved by the Commission.

SECTION 5. In the event the rates and charges of the waterworks system approved by the Commission shall differ from the rates and charges set forth herein, the Common Council hereby approves said rates and charges as adjusted by the Commission without further action of the Common Council. The rates and charges of the waterworks system of the City as reflected in the tariff filed with and approved by the Commission shall be filed with the Clerk of the City and be open for public inspection.

SECTION 6. If any section, sentence, or provision of this ordinance or the application thereof to any person or circumstance shall be declared invalid, such invalidity shall not affect any of the other parts of this ordinance which can be given effect without the invalid part, and to this end the provisions of this ordinance are declared to be severable.

SECTION 7. This ordinance shall be in full force and effect from and after its passage by the Common Council of the City and approval of the Mayor.


PASSED and ADOPTED by the Common Council of the City of Bloomington, Monroe County, Indiana, upon this 12<sup>th</sup> day of July, 2016.

  
 ANDY RUFFE, President  
 Bloomington Common Council


ATTEST:

  
 NICOLE BOLDEN, Clerk  
 City of Bloomington

PRESENTED by me to the Mayor of the City of Bloomington, Monroe County, Indiana,  
upon this 13<sup>th</sup> day of July, 2016.

  
\_\_\_\_\_  
NICOLE BOLDEN, Clerk  
City of Bloomington

SIGNED and APPROVED by me upon this 13<sup>th</sup> day of July, 2016.

  
\_\_\_\_\_  
JOHN HAMILTON, Mayor  
City of Bloomington

#### SYNOPSIS

This ordinance amends the rates and charges in Title 9 of the Bloomington Municipal Code, entitled "Water", to reflect increased costs of supplying water and services to customers, and to make debt service payments on bond financing for required capital improvements.

**CITY OF BLOOMINGTON, INDIANA**

**Accounting Workpapers  
Proposed Waterworks Revenue Bonds of 2016**



THE MUNICIPAL MARKET MONITOR (TM3)

Municipal Yield Curves as of 03/04/2016

		General Obligations			"AAA" Coupon Range				
		"AAA"	PRE-RE	INSURED	"AA"	"A"	"BAA"	"LOW"	"HIGH"
1	2017	0.42	0.42	0.53	0.45	0.58	0.96	5.00	5.00
2	2018	0.61	0.63	0.73	0.66	0.79	1.22	5.00	5.00
3	2019	0.77	0.79	0.95	0.85	1.01	1.44	5.00	5.00
4	2020	0.93	0.95	1.15	1.03	1.22	1.65	5.00	5.00
5	2021	1.08	1.10	1.37	1.20	1.43	1.86	5.00	5.00
6	2022	1.26	1.28	1.59	1.40	1.65	2.08	5.00	5.00
7	2023	1.45	1.47	1.82	1.62	1.89	2.33	5.00	5.00
8	2024	1.62	1.64	2.04	1.82	2.12	2.54	5.00	5.00
9	2025	1.78		2.23	1.99	2.31	2.71	5.00	5.00
10	2026	1.90		2.36	2.12	2.44	2.84	5.00	5.00
11	2027	2.01		2.50	2.25	2.58	2.98	5.00	5.00
12	2028	2.11		2.62	2.36	2.70	3.09	5.00	5.00
13	2029	2.19		2.71	2.44	2.79	3.17	5.00	5.00
14	2030	2.27		2.79	2.52	2.87	3.25	5.00	5.00
15	2031	2.35		2.87	2.60	2.95	3.33	5.00	5.00
16	2032	2.44		2.96	2.69	3.04	3.42	5.00	5.00
17	2033	2.49		3.01	2.74	3.09	3.47	5.00	5.00
18	2034	2.54		3.06	2.79	3.14	3.52	5.00	5.00
19	2035	2.59		3.11	2.84	3.19	3.56	5.00	5.00
20	2036	2.64		3.15	2.89	3.24	3.60	5.00	5.00
21	2037	2.69		3.18	2.93	3.27	3.63	5.00	5.00
22	2038	2.73		3.22	2.97	3.31	3.66	5.00	5.00
23	2039	2.77		3.26	3.01	3.35	3.69	5.00	5.00
24	2040	2.81		3.29	3.04	3.38	3.71	5.00	5.00
25	2041	2.84		3.32	3.07	3.41	3.73	5.00	5.00
26	2042	2.86		3.34	3.09	3.43	3.75	5.00	5.00
27	2043	2.87		3.35	3.10	3.44	3.76	5.00	5.00
28	2044	2.88		3.36	3.11	3.45	3.77	5.00	5.00
29	2045	2.89		3.37	3.12	3.46	3.78	5.00	5.00
30	2046	2.90		3.38	3.13	3.47	3.79	5.00	5.00

2016 proposed Water Works Revenue Bonds Interest rates

Year	AA MMD (3/4/16)	Plus 100 bp	rounded
2017	0.45	1.45	1.45
2018	0.66	1.66	1.65
2019	0.85	1.85	1.85
2020	1.03	2.03	2.05
2021	1.2	2.2	2.2
2022	1.4	2.4	2.4
2023	1.62	2.62	2.6
2024	1.82	2.82	2.8
2025	1.99	2.99	3
2026	2.12	3.12	3.1
2027	2.25	3.25	3.25
2028	2.36	3.36	3.35
2029	2.44	3.44	3.45
2030	2.52	3.52	3.5
2031	2.6	3.6	3.6
2032	2.69	3.69	3.7
2033	2.74	3.74	3.75
2034	2.79	3.79	3.8
2035	2.84	3.84	3.85
2036	2.89	3.89	3.9
2037	2.93	3.93	3.95

ORDINANCE 16-09

**AN ORDINANCE OF THE COMMON COUNCIL OF THE CITY OF BLOOMINGTON, INDIANA, AUTHORIZING THE ACQUISITION, CONSTRUCTION, INSTALLATION AND EQUIPPING BY THE CITY OF BLOOMINGTON, INDIANA, OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE CITY'S WATERWORKS, THE ISSUANCE AND SALE OF REVENUE BONDS TO PROVIDE FUNDS FOR THE PAYMENT OF THE COSTS THEREOF, THE ISSUANCE AND SALE OF BOND ANTICIPATION NOTES IN ANTICIPATION OF THE ISSUANCE AND SALE OF SUCH BONDS, AND THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SUCH WATERWORKS AND OTHER RELATED MATTERS**

WHEREAS, the City of Bloomington, Indiana (the "City") has heretofore established and constructed and currently owns and operates a waterworks for the provision of public water supply to the City and its inhabitants (the "Waterworks"), in accordance with the provisions of Indiana Code 8-1.5, as amended (the "Act"); and

WHEREAS, the Utility Service Board of the City (the "Board") has represented to the Common Council of the City (the "Common Council"), and the Common Council hereby finds, that certain improvements and extensions to the Waterworks are necessary; and American Structurepoint Inc of Indianapolis, Indiana, the consulting engineers employed by the City, and/or such other engineers as may be employed by the City (collectively, the "Consulting Engineers"), have prepared and filed or will prepare and file plans, specifications and detailed descriptions and estimates of the costs of the necessary improvements and extensions to the Waterworks, which plans, specifications, descriptions and estimates, to the extent required by law, have been or will be duly submitted to and approved by the Board and all governmental authorities having jurisdiction thereover (the improvements and extensions to the Waterworks as described in the Consulting Engineers' plans and specifications and below in Section 2 hereof are referred to herein as the "Project"); and

WHEREAS, the Common Council further finds that the estimates prepared with respect to the costs of acquisition, construction, installation and equipping of such improvements and extensions to the Waterworks, and including all authorized costs relating thereto, including the costs of issuance of bonds and, if necessary, bond anticipation notes (the "BANs") on account of the financing of all or a portion thereof, will be in the estimated amount not to exceed Four Million Six Hundred Thousand Dollars (\$4,600,000); and

WHEREAS, the Common Council finds that to provide funds necessary to pay for all or a portion of the costs of the Project, it will be necessary for the City to issue waterworks revenue bonds in an amount not to exceed Four Million Six Hundred Thousand Dollars (\$4,600,000), and, if necessary, BANs in an amount not to exceed Four Million Six Hundred Thousand Dollars (\$4,600,000); and

WHEREAS, the City desires to authorize the issuance of the BANs, if necessary, to provide interim financing of the Project in the maximum aggregate principal amount not to exceed Four Million Six Hundred Thousand Dollars (\$4,600,000) and the issuance of waterworks revenue bonds, in one or more series, payable from the Net Revenues (as hereinafter defined) of the Waterworks, in the maximum aggregate principal amount of Four Million Six Hundred Thousand Dollars (\$4,600,000), issued to finance all or a portion of the aforementioned costs of the Project and to refund the BANs, if issued; and

WHEREAS, pursuant to a certain Ordinance adopted by the Common Council (the "2000 Ordinance"), the City has heretofore issued its waterworks revenue bonds payable from the Net Revenues of the Waterworks, designated "Waterworks Revenue Bonds of 2000, Series A," currently outstanding in the aggregate principal amount of Four Million Nine Hundred Seventy-Five Thousand Dollars (\$4,975,000), bearing interest at the per annum rate of 2.90%, and maturing semiannually on January 1 and July 1 in the years 2016 to 2021, inclusive, ending January 1, 2021 (the "2000 Bonds"); and

WHEREAS, pursuant to Ordinance No. 01-42, adopted by the Common Council on December 5, 2001 (the "2003 New Money Ordinance"), the City has heretofore issued its waterworks revenue bonds payable from the Net Revenues of the Waterworks, (i) designated "Waterworks Revenue Bonds of 2003, Series A," currently outstanding in the aggregate principal amount of One Million Eight Hundred Thirty-One Thousand Dollars (\$1,831,000), bearing interest at the per annum rate of 3.30%, and maturing semiannually on January 1 and July 1 in the years 2016 to 2023, inclusive, ending January 1, 2023, and (ii) designated "Waterworks Revenue Bonds of 2003, Series B," currently outstanding in the aggregate principal amount of Four Million Two Hundred Sixty-Four Thousand Dollars (\$4,264,000), bearing interest at the per annum rate of 3.30%, and maturing semiannually on January 1 and July 1 in the years 2016 to 2025, inclusive, ending January 1, 2025 (collectively, the "2003 New Money Bonds"); and

WHEREAS, pursuant to Ordinance No. 03-10, adopted by the Common Council on April 2, 2003 (the "2003 Refunding Ordinance"), the City has heretofore issued its waterworks revenue bonds payable from the Net Revenues of the Waterworks, designated "Waterworks Refunding Revenue Bonds of 2003," currently outstanding in the aggregate principal amount of Two Million Forty Thousand Dollars (\$2,040,000), bearing interest at the per annum rate of 4.50%, and maturing semiannually on January 1 and July 1 in the years 2016 to 2020, inclusive, ending January 1, 2020 (the "2003 Refunding Bonds"); and

WHEREAS, pursuant to Ordinance No. 05-12, adopted by the Common Council on April 20, 2005, as amended (as amended, the "2006 Ordinance"), the City has heretofore issued its waterworks revenue bonds payable from the Net Revenues of the Waterworks, designated "Waterworks Revenue Bonds of 2006, Series A" (as amended), currently outstanding in the aggregate principal amount of Three Million Two Hundred Seventeen Thousand Three Hundred Dollars (\$3,217,300), bearing interest at per annum rates ranging from 4.55% to 4.83%, and maturing semiannually on January 1 and July 1 in the years 2016 to 2027, inclusive, ending January 1, 2027 (the "2006 Bonds"); and

WHEREAS, pursuant to Ordinance No. 10-07, adopted by the Common Council on May 17, 2010 (the "2011 Ordinance"), the City has heretofore issued its waterworks revenue bonds payable from the Net Revenues of the Waterworks, (i) designated "Waterworks Revenue Bonds of 2011, Series A," currently outstanding in the aggregate principal amount of Four Million Nine Hundred Forty-Five Thousand Dollars (\$4,945,000), bearing interest at the per annum rate of 3.746%, and maturing semiannually on January 1 and July 1 in the years 2016 to 2029, inclusive, ending January 1, 2029, and (ii) designated "Waterworks Revenue Bonds of 2011, Series B," currently outstanding in the aggregate principal amount of Thirty-Three Million Three Hundred Twenty Thousand Dollars (\$33,320,000), bearing interest at per annum rates ranging from 3.00% of 4.00%, and maturing semiannually on January 1 and July 1 in the years 2016 to 2029, inclusive, ending January 1, 2029 (collectively, the "2013 Bonds"); and

WHEREAS, the 2000 Ordinance, the 2003 New Money Ordinance, the 2003 Refunding Ordinance, the 2006 Ordinance and the 2011 Ordinance (collectively, the "Prior Ordinances") permit the issuance of additional bonds ranking on a parity with the outstanding 2000 Bonds, 2003 New Money Bonds, 2003 Refunding Bonds, 2006 Bonds and 2011 Bonds (collectively, the "Prior Bonds"), provided that certain

conditions are met, and the City finds that the finances of the Waterworks will enable the City to meet the conditions for the issuance of additional parity bonds and that, accordingly, the revenue bonds authorized herein shall constitute a first charge on the Net Revenues of the Waterworks, on parity with the Prior Bonds; and

WHEREAS, the Common Council now finds that all conditions precedent to the adoption of an ordinance authorizing the issuance of one or more series of waterworks revenue bonds, on a parity basis with the Prior Bonds, and BANs, if necessary, to provide the necessary funds to be applied to the costs of the Project and all authorized costs relating thereto, and the refunding of the BANs, if issued, have been complied with in accordance with the provisions of the Prior Ordinances, the Act and other applicable laws; and

WHEREAS, the Common Council consequently seeks to authorize the issuance of waterworks revenue bonds and BANs to finance the acquisition, construction, installation and equipping of the Project pursuant to the Act and other applicable laws, the sale of one or more series of such revenue bonds at public sale pursuant to the provisions of Indiana Code 5-1-11 or to the Indiana Finance Authority (the "Authority") pursuant to the provisions of Indiana Code 4-4-11 and 13-18-21, and the sale of such BANs pursuant to the provisions of the Act and other applicable laws, subject to and dependent upon the terms and conditions hereinafter set forth; and

WHEREAS, if the Bonds are sold to the Authority, the City would expect to enter into a Financial Assistance Agreement (as hereinafter defined) with the Authority, pertaining to the Project and the financing thereof; and

WHEREAS, the Board has considered the matter of the financing of the Project and has adopted a resolution approving the same; and

WHEREAS, prior to the issuance of the bonds authorized by this ordinance, the City shall first obtain the approval of the Indiana Utility Regulatory Commission (IURC) for the issuance of said bonds; and

WHEREAS, certain preliminary expenditures related to the payment of the costs of the Project have been or will be incurred by or on behalf of the City prior to the issuance and delivery of such waterworks revenue bonds and BANs; and

WHEREAS, the Common Council desires to express its intention to reimburse such expenditures as have been or may be incurred prior to the issuance of such waterworks revenue bonds and BANs, pursuant to Indiana Code 5-1-14-6 and in compliance with Section 1.150-2 of the U.S. Treasury Regulations promulgated by the Internal Revenue Service (the "Treasury Regulations"); now, therefore,

BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF BLOOMINGTON, INDIANA, THAT:

SECTION 1. Acquisition, Construction, Installation and Equipping of the Project. The City is hereby authorized to acquire any and all necessary property and proceed with the acquisition, construction, installation and equipping of improvements and extensions to the Waterworks, pursuant to the Act and in accordance with the plans, specifications and cost estimates heretofore prepared and filed with the Board and the Common Council by the Consulting Engineers and/or City engineering, which plans, specifications and cost estimates are hereby adopted and approved and, by reference, incorporated fully into this Ordinance, and two copies of which are now on file in the office of the Clerk of the City (the "Clerk") and are open for public inspection. The actions of the City in connection with the acquisition of any and all necessary property and the acquisition, construction, installation, equipping and financing of such improvements and extensions to the Waterworks are hereby authorized, approved, ratified and confirmed.

Where used in this Ordinance, the term "City" shall be construed also to include any department, board, commission or officer or officers of the City or of any City department, board or commission. The terms "Waterworks," "waterworks," "works" and similar terms used in this

Ordinance shall be construed to mean and include the existing structures and property of the Waterworks for the provision of public water supply, and all enlargements, improvements, extensions and additions thereto, and replacements thereof, now or subsequently constructed or acquired, whether from the proceeds of the bonds and BANs authorized herein or otherwise. Such improvements and extensions shall be constructed and the bonds and BANs herein authorized shall be issued pursuant to the provisions of this Ordinance, the Act and other applicable laws.

SECTION 2. Description of the Project. The Project is more fully described in, and shall be in accordance with the plans and specifications and cost estimates heretofore prepared and filed with the Board and the Common Council by the Consulting Engineers and/or City engineering referenced in Section 1 hereof. In summary, the Project consists of the acquisition, construction, installation and equipping of additions and improvements to the Waterworks, including maintaining and improving water quality, and replacement and rehabilitation of water mains, tanks, booster stations and hydrants.

The City shall proceed with the acquisition, construction, installation and equipping of the Project and shall enter into all contracts necessary or appropriate for such purpose, in conformity with and subject to the requirements and conditions set forth in this Ordinance and in the Act.

SECTION 3. The Bonds. In accordance with the Act and for the purpose of providing funds with which to pay the costs of the Project, together with all authorized costs relating thereto including the costs of issuance of the Bonds, as hereinafter defined, and refunding the BANs, if any, described below, the City shall issue its waterworks revenue bonds, in one or more series, in an aggregate principal amount not to exceed Four Million Six Hundred Thousand Dollars (\$4,600,000) (the "Bonds"). The total principal amount of Bonds issued pursuant to this Ordinance shall not exceed Four Million Six Hundred Thousand Dollars (\$4,600,000). The principal of and redemption premium, if any, and interest on the Bonds shall be payable solely out of the Waterworks Sinking Fund referred to below, on a parity with the Prior Bonds.

Any other provisions of this Ordinance to the contrary notwithstanding, the Bonds shall be issued on a parity with the Prior Bonds, and none of the provisions of this Ordinance shall be construed to affect the rights of the holders of the Prior Bonds. The Controller of the City (the "Controller") is authorized to employ Crowe Horwath LLP, Indianapolis, Indiana, the financial advisor to the City (the "Financial Advisor"), or any other certified public accountant or firm of certified public accountants to perform any and all computations necessary to confirm the preliminary evidence and findings demonstrating compliance with the conditions set forth in the Prior Ordinances for the issuance of additional revenue bonds on parity with the Prior Bonds. The City shall not issue the Bonds without first receiving a certificate from the Financial Advisor or other certified public accountant or firm of certified public accountants in form and substance satisfactory to the Controller and Faegre Baker Daniels LLP, Indianapolis, Indiana, bond counsel for the City, and to the effect that the City and the Waterworks are in complete compliance with the conditions set forth in the Prior Ordinances for the issuance of additional revenue bonds on parity with the Prior Bonds.

The Bonds shall be designated as the "City of Bloomington, Indiana, Waterworks Revenue Bonds of 201\_\_" (with the blank to be filled in with the last digit of the calendar year in which such series of the Bonds is issued, with an appropriate series designation in the event more than one series of Bonds is expected to be issued in such calendar year). Each series of the Bonds shall be issued as fully registered bonds in denomination or denominations of Five Thousand Dollars (\$5,000) and any integral multiples thereof not exceeding the aggregate principal amount of such Bonds maturing in any one year, or in the event that any series of the Bonds is sold to the Authority pursuant to Section 9 hereof, the Bonds of such series shall be in multiples of One Dollar (\$1) or such other denomination as is acceptable to the Authority. The Bonds shall be numbered consecutively from \_\_R-1 upward (with the blank to be filled in with the last two digits of the calendar year in which such series of the Bonds is issued, with an appropriate series designation in the event more than one series of Bonds is expected to be issued in such calendar year) and shall bear interest at a rate or rates not exceeding five percent (5.0%) per annum, the exact rate or rates to be determined by negotiation with the Authority (with such rate to be set forth in the Financial Assistance Agreement with respect to any series of the Bonds that is sold to the Authority) or by bidding. Said interest rate or rates on the Bonds shall be in multiples of one-eighth (1/8) or one-hundredth (1/100) of one percent (1%). Interest on each series of the Bonds

shall be calculated on the basis of twelve (12) thirty (30)-day months for a three hundred sixty (360)-day year and shall be payable semiannually on January 1 and July 1 of each year (each, an "Interest Payment Date"), commencing not earlier than July 1, 2017, with the first interest payment date to be determined by (i) the Controller with the advice of the Financial Advisor and set forth in the Controller's Certificate (as hereinafter defined) if such series of Bonds is sold by public bidding or (ii) negotiation with the Authority (as provided in the Financial Assistance Agreement between the City and the Authority (the "Financial Assistance Agreement")), until principal is fully paid. The principal of each series of the Bonds shall mature serially and semi-annually on January 1 and July 1 of each year, commencing not earlier than July 1, 2017 (or commencing on such other date as provided in the Financial Assistance Agreement, if such series of the Bonds is sold to the Authority) and ending not later than July 1, 2037, on the dates and in the principal amounts as set forth in the Controller's Certificate. The Bonds will mature in such amounts that will produce, on an aggregate basis, as level annual debt service as practicable, except as otherwise provided in the Financial Assistance Agreement if the Bonds are sold to the Authority.

The Bonds shall bear an original issue date which shall be the date of delivery of the Bonds or the first day of the month in which the Bonds are delivered, as determined by the Controller with the advice of the Financial Advisor and set forth in the Controller's Certificate (unless otherwise provided in the Financial Assistance Agreement in the event the Bonds are sold to the Authority), and each Bond shall also bear the date of its authentication. Any Bond authenticated on or before the fifteenth day of the calendar month immediately preceding the first Interest Payment Date shall pay interest from its original issue date (unless otherwise provided in the Financial Assistance Agreement in the event the Bonds are sold to the Authority). Any Bond authenticated thereafter shall pay interest from the Interest Payment Date next preceding the date of authentication of such Bond to which interest thereon has been paid or duly provided for, unless such Bond is authenticated after the fifteenth day of the calendar month immediately preceding an Interest Payment Date and on or before such Interest Payment Date, in which case interest thereon shall be paid from such Interest Payment Date.

In the event that the Bonds or the BANs of any series are sold to the Authority or any other purchaser who so agrees pursuant to Section 9 of this Ordinance, it is understood that principal shall not be payable and interest shall not accrue on such series of the Bonds or the BANs until such principal amount has been advanced pursuant to requests made by the City to the Authority or to any such other purchaser, with advances to be allocable to the Bonds in order of maturity. If the Bonds of any series are sold to the Authority, to the extent that (a) the total principal amount of such series of the Bonds is not paid by the purchaser or drawn down by the City or (b) proceeds remain in the Construction Account established under Section 10 of this Ordinance and are not applied to the Project (or any modifications or additions thereto approved by the Authority), the City shall reduce the principal amount of such Bonds' maturities to effect such reduction in a manner that will still achieve as level an annual debt service as practicable as described in this Section 3 subject to and upon the terms forth in the Financial Assistance Agreement.

The Controller is hereby authorized to appoint a registrar and a paying agent for any series of the Bonds or BANs (the "Registrar" and the "Paying Agent," and in both such capacities, the "Registrar and Paying Agent"). The Registrar and Paying Agent shall be charged with and shall by appropriate agreement undertake the performance of all of the duties and responsibilities customarily associated with each such position, including, without limitation, the authentication of the Bonds and BANs. The Controller is authorized and directed to enter into such agreements and understandings with the Registrar and Paying Agent and any subsequent Registrar and Paying Agent as will enable and facilitate the performance of its duties and responsibilities, and is authorized and directed to pay such fees as the Registrar and Paying Agent may reasonably charge for its services in such capacity, and such fees may be paid from the Waterworks Sinking Fund created under the Prior Ordinances and continued herein.

If the Bonds or the BANs are registered in the name of any purchaser that does not object to such designation, the Controller shall be designated as the Registrar and Paying Agent and shall be charged with the performance of all of the duties and responsibilities of Registrar and Paying Agent.

The Registrar and Paying Agent, if not the Controller, may at any time resign as Registrar and Paying Agent upon giving thirty (30) days' notice in writing to the City and by first-class mail to each registered owner of the Bonds or BANs then outstanding, and such resignation will take effect at the end of such thirty (30) days or upon the earlier appointment of a successor Registrar and Paying Agent by the City. Any such notice to the City may be served personally or sent by certified mail. The Registrar and Paying Agent may also be removed at any time as Registrar and Paying Agent by the City, in which event the City may appoint a successor Registrar and Paying Agent. The City shall notify each registered owner of the Bonds or BANs then outstanding by first-class mail of the removal of the Registrar and Paying Agent. Notices to registered owners of the Bonds or BANs shall be deemed to be given when mailed by first-class mail to the addresses of such registered owners as they appear on the registration books kept by the Registrar. Any predecessor Registrar and Paying Agent shall deliver all of the Bonds or BANs and cash in its possession with respect thereto, together with the registration books, to the successor Registrar and Paying Agent. The Controller is hereby authorized to act on behalf of the City with regard to any of the aforementioned actions of the City relating to the resignation or removal of the Registrar and Paying Agent and appointment of a successor Registrar and Paying Agent.

Principal of and any redemption premium on the Bonds, and principal and interest on the BANs, shall be payable at the principal corporate trust office of the Paying Agent. Interest on the Bonds shall be paid by check or draft mailed or delivered by the Paying Agent to the registered owner thereof at the address as it appears on the registration books kept by the Registrar as of the fifteenth day of the calendar month immediately preceding the Interest Payment Date or at such other address as may be provided to the Paying Agent in writing by such registered owner. Notwithstanding anything in this Ordinance to the contrary, so long as The Depository Trust Company, New York, New York ("DTC"), or its nominee, or any successor thereto, is the registered owner of any series of the Bonds or BANs, the principal of and premium, if any, and interest on such series of the Bonds or BANs will be paid directly to DTC or successor depository by wire transfer on the payment date in same-day funds by the Paying Agent. Notwithstanding the foregoing, principal of and interest on the Bonds or BANs, if registered in the name of the Authority, shall be paid by wire transfer to a financial institution if and as directed by the Authority, on the due date of such payment or, if such date is a day when financial institutions are not open for business, on the business day immediately preceding such due date. So long as the Authority is the registered owner of the Bonds or BANs, the Bonds or BANs shall be presented for payment as directed by the Authority. All payments on the Bonds and the BANs shall be made in any coin or currency of the United States of America which, on the dates of such payments, shall be legal tender for the payment of public or private debt.

Each Bond or BAN shall be transferable or exchangeable only on the books of the City maintained for such purpose at the principal corporate trust office of the Registrar, by the registered owner thereof in person, or by his or her attorney duly authorized in writing, upon surrender of such Bond or BAN together with a written instrument of transfer or exchange satisfactory to the Registrar duly executed by the registered owner or his or her attorney duly authorized in writing, and thereupon a new fully registered Bond or Bonds or BAN or BANs in the same aggregate principal amount and of the same maturity and series shall be executed and delivered in the name of the transferee or transferees or the registered owner, as the case may be, in exchange therefor. Each Bond or BAN may be transferred or exchanged without cost to the registered owner, except for any tax or other governmental charge which may be required to be paid with respect to such transfer or exchange. The Registrar shall not be obligated to make any transfer or exchange of any Bond or BAN (i) during the fifteen (15) days immediately preceding an Interest Payment Date or (ii) after the mailing of notice calling such Bond or BAN for redemption. The City, the Registrar and the Paying Agent may treat and consider the person in whose name any Bond or BAN is registered as the absolute owner thereof for all purposes including the purpose of receiving payment of, or on account of, the principal thereof, and redemption premium, if any, and interest thereon.

In the event any Bond or BAN is mutilated, lost, stolen or destroyed, the City may cause to be executed and the Registrar may authenticate a new Bond or BAN of like date, maturity, series and denomination as the mutilated, lost, stolen or destroyed Bond or BAN, which new Bond or BAN shall be marked in a manner to distinguish it from the Bond or BAN for which it was issued; provided, that in the case of any mutilated Bond or BAN, such mutilated Bond or BAN shall first be surrendered to the Registrar, and in the case of any lost, stolen or destroyed Bond or



BAN there shall be first furnished to the Registrar evidence of such loss, theft or destruction satisfactory to the City and the Registrar, together with indemnity satisfactory to them. In the event that any such mutilated, lost, stolen or destroyed Bond or BAN shall have matured or been called for redemption, instead of causing to be issued a duplicate Bond or BAN, the Registrar and Paying Agent may pay the same upon surrender of the mutilated Bond or BAN or upon satisfactory indemnity and proof of loss, theft or destruction in the case of a lost, stolen or destroyed Bond or BAN. The City and the Registrar and Paying Agent may charge the owner of any such Bond or BAN with their reasonable fees and expenses in connection with the above. Every substitute Bond or BAN issued by reason of any Bond or BAN being lost, stolen or destroyed shall, with respect to such Bond or BAN, constitute a substitute contractual obligation of the City pursuant to this Ordinance, whether or not the lost, stolen or destroyed Bond or BAN shall be found at any time, and shall be entitled to all the benefits of this Ordinance, equally and proportionately with any and all other Bonds or BANs duly issued hereunder.

In the event that any Bond or BAN is not presented for payment or redemption on the date established therefor, the City may deposit in trust with the Paying Agent an amount sufficient to pay such Bond or BAN or the redemption price thereof, as appropriate, and thereafter the owner of such Bond or BAN shall look only to the funds so deposited in trust with the Paying Agent for payment and the City shall have no further obligation or liability with respect thereto.

Any series of Bonds or BANs may, in compliance with all applicable laws, be issued and held in book-entry form on the books of the central depository system, DTC, its successors, or any successor central depository system appointed by the City from time to time (the "Clearing Agency"). The City and the Registrar may, in connection therewith, do or perform or cause to be done or performed any acts or things not adverse to the rights of the holders of the Bonds or BANs, as are necessary or appropriate to accomplish or recognize such book-entry form Bonds or BANs.

During any time that a series of Bonds or BANs is held in book-entry form on the books of a Clearing Agency (a) any such Bonds or BANs may be registered upon the books kept by the Registrar in the name of such Clearing Agency, or any nominee thereof, including Cede & Co., as nominee of DTC; (b) the Clearing Agency in whose name such Bonds or BANs are so registered shall be, and the City and the Registrar and Paying Agent may deem and treat such Clearing Agency as, the absolute owner and holder of such Bonds or BANs for all purposes of this Ordinance, including, without limitation, the receiving of payment of the principal of and premium, if any, and interest on such Bonds or BANs, the receiving of notice, and the giving of consent; (c) neither the City nor the Registrar and Paying Agent shall have any responsibility or obligation hereunder to any direct or indirect participant, within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended, of such Clearing Agency, or any person on behalf of which, or otherwise in respect of which, any such participant holds any interest in any Bonds or BANs, including, without limitation, any responsibility or obligation hereunder to maintain accurate records of any interest in any Bonds or BANs or any responsibility or obligation hereunder with respect to the receiving of payment of principal of or premium, if any, or interest on any Bonds or BANs, the receiving of notice, or the giving of consent; (d) the Clearing Agency is not required to present any Bonds or BANs called for partial redemption prior to receiving payment so long as the Registrar and Paying Agent and the Clearing Agency have agreed to the method for noting such partial redemption; and (e) payment of the principal of and premium, if any, and interest on any Bonds or BANs may be made by wire transfer or other method acceptable to the Clearing Agency, as indicated in a Certificate of the Controller to such effect.

If either (i) the City receives notice from the Clearing Agency which is currently the registered owner of any Bonds or BANs to the effect that such Clearing Agency is unable or unwilling to discharge its responsibility as a Clearing Agency for such Bonds or BANs or (ii) the City elects to discontinue its use of such Clearing Agency as a Clearing Agency for such Bonds or BANs, then the City and the Registrar and Paying Agent each shall do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of such Bonds or BANs, as are necessary or appropriate to discontinue use of such Clearing Agency as a Clearing Agency for such Bonds or BANs and to transfer the ownership of each of such Bonds or BANs to such person or persons, including any other Clearing Agency, as the holder of such Bonds or BANs may direct in accordance with this Ordinance. Any expenses of such discontinuance and

transfer, including expenses of printing new certificates to evidence such Bonds or BANs, shall be paid by the City.

During any time that any series of the Bonds or BANs is held in book-entry form on the books of a Clearing Agency, the Registrar and Paying Agent shall be entitled to request and rely upon a certificate or other written representation from the Clearing Agency or any participant or indirect participant with respect to the identity of any beneficial owners of such Bonds or BANs as of a record date selected by the Registrar and Paying Agent. For purposes of determining whether the consent, advice, direction or demand of a registered owner of such Bonds or BANs has been obtained, the Registrar and Paying Agent shall be entitled to treat the beneficial owners of such Bonds or BANs as the holders of such Bonds or BANs.

During any time that any series of the Bonds or BANs is held in book-entry form on the books of a Clearing Agency, the City is authorized to enter into a Blanket Letter of Representations agreement with the Clearing Agency, and the provisions of any such Blanket Letter of Representations or any successor agreement shall control on the matters set forth herein.

SECTION 4. The BANs. In anticipation of the issuance and sale of the Bonds authorized herein, and to provide interim financing to apply to the costs of the Project, the City is hereby authorized to have prepared and to issue and sell negotiable BANs of the City to an eligible purchaser of the BANs under Indiana Code 5-1-14-5 or to the Authority, pursuant to a Bond Anticipation Note Purchase Agreement (the "BAN Purchase Agreement") entered into between the City and the purchaser of the BANs, in one or more series, in an aggregate principal amount not to exceed Four Million Six Hundred Thousand Dollars (\$4,600,000), to be designated "City of Bloomington, Indiana, Waterworks Revenue Bond Anticipation Notes of 201\_\_" (with the blank to be filled in with the last digit of the calendar year in which such series of the BANs is issued, with an appropriate series designation in the event more than one series of BANs is expected to be issued in such calendar year). The BANs shall be issued pursuant to Indiana Code 5-1-14-5 if sold to an eligible purchaser thereunder, or pursuant to Indiana Code 4-4-11 and 13-18-21 if sold to the Authority. If the BANs are sold to the Authority, the Financial Assistance Agreement shall serve as the BAN Purchase Agreement. The BANs shall be issued in fully registered form, shall be numbered consecutively from \_\_R-1 (with the blank to be filled in with the last two digits of the calendar year in which such series of the BANs is issued, with an appropriate series designation in the event more than one series of BANs is expected to be issued in such calendar year) upwards, shall be in such denominations as the purchaser of the BANs shall request, shall be dated as of the date of delivery of the BANs, and shall bear interest at a rate or rates not exceeding five percent (5.0%) per annum (the exact rate or rates of interest to be determined by negotiations with the purchaser of the BANs and payable as provided in the BAN Purchase Agreement). The initial BANs delivered will mature on the date provided in the BAN Purchase Agreement. The BANs may be subject to renewal or extension, subject to the limitations set forth below, at an interest rate or rates not to exceed five percent (5.0%) per annum, with the exact rate to be negotiated with the purchaser of such BANs. The term of the BANs and all renewal BANs may not exceed five (5) years from the date of delivery of the initial BANs.

The principal of the BANs shall be refunded and retired out of the proceeds from the issuance and sale hereunder of the Bonds. The principal of the BANs, and the principal of and interest on the BANs prepaid in accordance with Section 5 hereof, shall be refunded by the issuance of the Bonds pursuant to, and in the manner prescribed by, the Act. The interest on the BANs shall be payable either from the Net Revenues of the Waterworks, subject to the prior lien thereon of the Prior Bonds, or from proceeds from the issuance and sale hereunder of the Bonds, as set forth in the BAN Purchase Agreement.

SECTION 5. Optional Prepayment of BANs; Optional Redemption of the Bonds; Term Bonds.

(a) Optional Prepayment of BANs. The BANs are prepayable by the City, in whole or in part, at any time upon seven (7) days' written notice to the owner of the BANs, without any premium. In the case of prepayment, the principal and accrued interest due on the BANs shall be paid only from proceeds of the Bonds, except that such principal and interest due on the BANs may also be paid from other revenues and funds legally available therefor, if any, including federal or state funds available for application to the Project; provided, however, that such funds are not pledged to the payment of the BANs.

(b) Optional Redemption of the Bonds. Each series of the Bonds shall be subject to redemption at the option of the City, in whole or in part (and if in part, in authorized denominations and in order of maturity determined by the City and by lot within any such maturity or maturities in such manner as may be designated by the Registrar), at times to be determined by the Controller with the advice of the Financial Advisor and set forth in the Controller's Certificate, at a redemption price equal to one hundred percent (100%) of the principal amount of each Bond to be redeemed, plus accrued and unpaid interest on the Bonds so redeemed to the redemption date, and according to premiums to be determined by the Controller with the advice of the Financial Advisor and set forth in the Controller's Certificate, not in excess of two percent (2%) of the par amount of the Bonds to be redeemed; provided, however, if any Bonds are sold to the SRF Program (as hereinafter defined) and registered in the name of the Authority, such Bonds shall not be redeemable at the option of the City unless and until consented by the Authority.

Official notice of such redemption of the Bonds shall be mailed by the Registrar and Paying Agent by certified or registered mail at least thirty (30) days (or, at least sixty (60) days, with respect to any series of the Bonds sold to the Authority) prior to the scheduled redemption date to each of the registered owners of the Bonds called for redemption (unless waived by any such registered owner) at the address shown on the registration books of the Registrar and Paying Agent, or at such other address as is furnished in writing by such registered owner to the Registrar; provided, however, that failure to give such notice by mailing, or any defect therein, with respect to any Bond shall not affect the validity of the proceedings for the redemption of any other Bonds. The notice shall specify the redemption price, the date and place of redemption, and the registration numbers (and, in case of partial redemption, the respective principal amounts) of the Bonds called for redemption. The place of redemption may be at the principal corporate trust office of the Registrar and Paying Agent or as otherwise determined by the City. Interest on the Bonds (or portions thereof) so called for redemption shall cease to accrue on the redemption date fixed in such notice, if sufficient funds are available at the place of redemption to pay the redemption price on the redemption date and when such Bonds (or portions thereof) are presented for payment. Any Bond redeemed in part may be exchanged for a Bond or Bonds of the same maturity in authorized denominations equal to the remaining principal amount thereof.

In addition to the foregoing notice, the City may also direct that further notice of redemption of Bonds be given, including, without limitation, and at the option of the City, notice described in paragraph (i) below given by the Registrar and Paying Agent to the parties described in paragraphs (ii) and (iii) below. No defect in any such further notice and no failure to give all or any portion of any such further notice shall in any manner defeat the effectiveness of any call for redemption of Bonds so long as notice thereof is mailed as prescribed above.

(i) If so directed by the City, each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (1) the CUSIP numbers of all Bonds being redeemed; (2) the date of issue of the Bonds as originally issued; (3) the rate of interest borne by each Bond being redeemed; (4) the maturity date of each Bond being redeemed; and (5) any other descriptive information needed to identify accurately the Bonds being redeemed.

(ii) If so directed by the City, each further notice of redemption shall be sent at least thirty-five (35) days before the redemption date by registered or certified mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(iii) If so directed by the City, each such further notice shall be published one time in The Bond Buyer of New York, New York or, if the Registrar believes such publication is impractical or unlikely to reach a substantial number of the holders of the Bonds, in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at least thirty (30) days prior to the date fixed for redemption.

Upon the payment of the redemption price of the Bonds (or portions thereof) being redeemed and if so directed by the City, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds (or portions thereof) being redeemed with the proceeds of such check or other transfer.

(c) Term Bonds. All or a portion of the Bonds may be aggregated into one or more term bonds payable from mandatory sinking fund redemption payments (the "Term Bonds") required to be made as set forth below. The Term Bonds shall have a stated maturity or maturities of January 1 and July 1 in the years consistent with the maturity schedule for the Bonds, and such Term Bonds shall be subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest to the redemption date, but without premium, on January 1 and July 1 of the years and in the principal amounts consistent with the maturity schedule for the Bonds.

The Registrar and Paying Agent shall credit against any mandatory sinking fund redemption requirement for a Term Bond of a particular maturity, any Bonds of such maturity delivered to the Registrar and Paying Agent for cancellation or purchased for cancellation by the City and canceled by the Registrar and Paying Agent and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each Bond so delivered or purchased shall be credited by the Registrar and Paying Agent at one hundred percent (100%) of the principal amount thereof against the mandatory sinking fund redemption requirements for the applicable Term Bond in inverse order of mandatory sinking fund redemption (or final maturity) dates, and the principal amount of such Term Bond to be redeemed on such mandatory sinking fund redemption dates by operation of the mandatory sinking fund requirements shall be reduced accordingly; provided, however, the Registrar and Paying Agent shall only credit Bonds against the mandatory sinking fund requirements to the extent such Bonds are received on or before forty-five (45) days preceding the applicable mandatory sinking fund redemption date.

The Registrar shall determine by lot (treating each \$5,000 principal amount (or other authorized denomination) of each Bond as a separate Bond for such purpose) the Bonds within a Term Bond of a particular maturity to be redeemed pursuant to mandatory sinking fund redemption requirements on January 1 and July 1 of each year. With respect to optional redemption of Term Bonds, an amount equal to the principal amount of the Term Bonds redeemed will be credited toward the latest scheduled mandatory sinking fund payment or payments with respect to such Term Bonds unless otherwise directed by the City.

Notice of any such mandatory sinking fund redemption shall be given in the same manner as notice of optional redemption is required to be given pursuant to this Section 5. In the event any of the Bonds are issued as Term Bonds, the form of Bond described in Section 8 hereof shall be modified accordingly. Any reference to payment of principal on Bonds shall include payment of scheduled mandatory sinking fund redemption payments.

SECTION 6. Execution and Authentication of the Bonds and BANs. The Bonds and the BANs shall be executed in the name of the City by the manual or facsimile signature of the Mayor of the City (the "Mayor") and attested by the manual or facsimile signature of the Clerk, who shall cause the seal of the City or a facsimile thereof to be affixed to each of the Bonds and the BANs. The Bonds and the BANs shall be authenticated by the manual signature of the Registrar, and no Bond or BAN shall be valid or become obligatory for any purpose until the certificate of authentication thereon has been so executed. In case any official whose signature appears on any Bond or BAN shall cease to be such official before the delivery of such Bond or BAN, the signature of such official shall nevertheless be valid and sufficient for all purposes, the same as if such official had been in office at the time of such delivery. Subject to the provisions of this Ordinance regarding the registration of the Bonds and BANs, the Bonds and BANs shall be fully negotiable instruments under the laws of the State of Indiana.

SECTION 7. Security and Sources of Payment for the Bonds. The Bonds, when fully paid for and delivered to the purchaser or purchasers thereof, together with any bonds hereafter issued on a parity therewith (to be referred to hereinafter collectively as the "bonds," unless the context otherwise requires), as to both principal and interest, shall be valid and binding special and limited revenue obligations of the City, payable solely from and secured by an irrevocable pledge of and constituting a first charge, on a parity basis with the Prior Bonds, upon all of the

"Net Revenues" (herein defined as gross revenues of the Waterworks after deduction only for the payment of the reasonable expenses of operation and maintenance) derived from the Waterworks, including all such Net Revenues from the existing works, the Project and all additions and improvements thereto and replacements thereof subsequently constructed or acquired, to be set aside into the Waterworks Sinking Fund as herein provided. The City shall not be obligated to pay the Bonds or the interest thereon except from the Net Revenues of the Waterworks, and the Bonds shall not constitute an indebtedness of the City within the meaning of the provisions and limitations of the constitution of the State of Indiana.

SECTION 8. Form of the Bonds. The form and tenor of the Bonds shall be substantially as set forth in Appendix A, attached hereto and incorporated herein as if set forth at this place (with all blanks to be filled in properly and all necessary additions, modifications and deletions to be made prior to the delivery thereof).

SECTION 9. Issuance, Sale and Delivery of the Bonds and the BANs.

(a) Generally. The Controller is hereby authorized and directed to have the Bonds and the BANs prepared, and the Mayor and the Clerk are each hereby authorized and directed to execute and attest, respectively, the Bonds and the BANs in the form and manner herein provided. The Controller is hereby authorized and directed to deliver the Bonds and the BANs to the purchaser or purchasers thereof after sale made in accordance with the provisions of the Act and this Ordinance, provided that at the time of said delivery the Controller shall collect the full amount which the purchaser or purchasers have agreed to pay therefor, which shall be not less than ninety-nine percent (99.0%) of the par amount of the Bonds (or such higher percentage of the par value of the Bonds as determined by the Controller with the advice of the Financial Advisor of the City and set forth in the Controller's Certificate), plus accrued interest thereon to the date of delivery, if any, and in the case of the BANs, shall not be less than ninety-nine percent (99.0%) of the par amount of the BANs. The City may receive payment for the Bonds and the BANs in installments. The proceeds derived from the sale of the Bonds (or, instead, the BANs, if such BANs are issued), shall be and are hereby set aside for application to the costs of the Project, including all authorized costs relating thereto and the respective costs of issuance of the Bonds and the BANs. The authorized officers of the City are hereby authorized and directed to draw all proper and necessary warrants and to do whatever other acts and things that may be necessary or appropriate to carry out the provisions of this Ordinance.

(b) Issuance, Sale and Delivery of the BANs. The City, having satisfied all the statutory requirements for the issuance of the Bonds, may elect to issue its BAN or BANs to an eligible purchaser under Indiana Code 5-1-14-5 or to the Authority pursuant to the BAN Purchase Agreement, to be entered into between the City and the purchaser of the BANs. The Common Council hereby authorizes the issuance and execution of the BAN or BANs in lieu of initially issuing Bonds to provide interim construction financing for the Project until permanent financing becomes available. It shall not be necessary for the City to repeat the procedures for the issuance of its Bonds, as the procedures followed before the issuance of the BAN or BANs are for all purposes sufficient to authorize the issuance of the Bonds and the use of the proceeds to repay the BAN or BANs. The Mayor, the Controller and/or the Clerk are each hereby authorized and directed to execute and/or attest the BAN Purchase Agreement in such form or substance as they shall approve acting upon the advice of counsel. The Mayor, the Controller and the Clerk may also take such other action or deliver such other certificates as are necessary or desirable in connection with the issuance of the BANs or the Bonds and the other documents needed for the financing as they deem necessary or desirable in connection therewith.

(c) Issuance, Sale and Delivery of the Bonds.

(i) Public Sale. Any series of the Bonds may, in the discretion of the Controller based upon the advice of the Financial Advisor, be sold by public sale. In the event any series of the Bonds is sold by public sale, prior to the sale of such series of the Bonds, the Controller shall cause to be published a notice of intent to sell bonds two (2) times at least one (1) week apart in the Bloomington Herald Times, a newspaper of general circulation published in the City, and the Court & Commercial Record, a newspaper of general circulation published in Indianapolis, Indiana. The notice of such sale or a summary thereof may also be published in The Bond Buyer, a financial journal published in the City and State of New York and/or in other publications, in the discretion of the

Controller. The notice must state that any person interested in submitting a bid for such series of the Bonds may furnish in writing, at the address set forth in the notice, the person's name, address and telephone number, and that any such person may also furnish a telex number. The notice must also state: (A) the amount of the Bonds to be offered; (B) the denominations; (C) the dates of maturity; (D) the maximum rate or rates of interest; (E) the place of sale; and (F) the time within which the name, address and telephone number must be furnished, which time must not be less than seven (7) days after the last publication of the notice. Each person so registered shall be notified of the date and time bids will be received not less than twenty-four (24) hours before the date and time of sale. The notification shall be made by telephone at the number furnished by the person, and also by telex if the person furnishes a telex number. Such notice may also include such other information as the Controller shall deem necessary.

Such notice shall provide, among other things, that each bid shall be accompanied by a certified or cashier's check or a financial surety bond from an insurance company in the amount of one percent (1%) of the principal amount of such series of the Bonds to guarantee performance on the part of the bidder; that if the Bonds are awarded to a bidder who has submitted a financial surety bond to the City, then such bidder must submit the required amount of the good faith deposit to the City in the form of a certified or cashier's check (or a wire transfer consisting of immediately available funds to the City as instructed by the City) not later than 3:00 p.m. (local time) on the next business day following the award by the City; that if such check or wire transfer is not received by that time, the financial surety bond may be drawn upon by the City to satisfy the deposit requirements; and that in the event the successful bidder shall fail or refuse to accept delivery of and pay for the Bonds as soon as the Bonds are ready for delivery, or at the time fixed in the notice of intent to sell bonds, then such check or financial surety bond and the proceeds thereof shall become the property of the City and shall be considered as the City's liquidated damages on account of such default.

All bids for Bonds sold at public sale shall be sealed and shall be presented to the Controller at the Controller's office, and the Controller shall continue to receive all bids offered until the time fixed for the sale of the Bonds, at which time and place the Controller shall open and consider each bid. Bidders for the Bonds shall be required to name the rate or rates of interest which the Bonds are to bear, not exceeding five percent (5.0%) per annum. Such interest rate or rates shall be in multiples of one-eighth (1/8) or one-hundredth (1/100) of one percent (1%). Bids specifying more than one interest rate shall also specify the amount and maturities of the series of Bonds bearing each rate, and all Bonds of a series maturing on the same date shall bear the same rate of interest. The interest rate on a series of Bonds of a given maturity must be at least as great as the interest rate on Bonds of such series of any earlier maturity. Subject to the provisions set forth below, the Controller shall award the Bonds to the bidder offering the lowest net interest cost to the City, to be determined by computing the total interest on all of the Bonds from the date thereof to their maturities and deducting therefrom the premium bid, if any, or adding thereto the amount of any discount. No bid for less than ninety-nine percent (99.0%) of the par value of the Bonds (or such higher percentage of the par value of the Bonds as determined by the Controller with the advice of the Financial Advisor and set forth in the Controller's Certificate), plus accrued interest, if any, at the rate or rates named to the date of delivery, will be considered. The Controller shall have full right to reject any and all bids. In the event no acceptable bid is received at the time fixed for the sale of the Bonds, the Controller shall be authorized to continue to receive bids from day to day thereafter for a period not to exceed thirty (30) days, without readvertising, pursuant to Indiana law.

The Controller is hereby authorized to determine, in the Controller's discretion, to sell the Bonds pursuant to the general provisions of Indiana Code 5-1-11 (rather than Section 2(b) thereof), and in the event of such a determination, those portions of this Section 9 which conflict with such provisions shall be deemed inapplicable.

(ii) Sale to the Authority. Any series of the Bonds may, in the discretion of the Controller based upon the advice of the Financial Advisor, be sold to the Authority. The Mayor and the Controller are hereby authorized to submit an application to the Authority for participation in the drinking water loan program (the "SRF Program") under Indiana

Code 4-4-11 and 13-18-21. The Financial Assistance Agreement for the Bonds and the Project shall be executed by the City and the Authority. The form of Financial Assistance Agreement shall be in substantially the form of the financial assistance agreement previously approved by one or more of the Prior Ordinances, and the Mayor, the Controller and/or the Clerk are hereby authorized to execute and/or attest the same on behalf of the City and to approve any changes in form or substance to the Financial Assistance Agreement, such approval to be conclusively evidenced by their execution. The Financial Assistance Agreement may set forth the definitive terms and conditions for such sale including the purchase price and interest rate, but all of such terms and conditions must be consistent with the terms and conditions of this Ordinance, including, without limitation, the interest rates on the Bonds which shall not exceed the maximum rate of interest for the Bonds authorized pursuant to this Ordinance. Bonds sold to the Authority shall be accompanied by all documentation required by the Authority pursuant to Indiana Code 4-4-11 and 13-18-21, and the Financial Assistance Agreement, including, without limitation, an approving opinion of a nationally recognized bond counsel, certification and guarantee of signatures and certification as to no litigation pending, as of the date of delivery of the Bonds to the Authority, challenging the validity or issuance of the Bonds. In the event the Controller determines to sell the Bonds to the Authority, the entry by the City into the Financial Assistance Agreement, the execution of the Financial Assistance Agreement by the Mayor, and, if required, the entry by the City into a purchase agreement or any other agreement with the Authority and the execution thereof by the Mayor, in accordance with this Ordinance are hereby authorized, approved and ratified.

Notwithstanding anything contained herein, the City may accept any other forms of financial assistance, as and if available, from the SRF Program (including without limitation (1) any forgivable loans, grants or other assistance whether available as an alternative to any Bond related provision otherwise provided for herein or as a supplement or addition thereto and (2) one or more series or combination of series of Bonds and/or BANs). If required by the SRF Program to be eligible for such financial assistance, one or more of the series of the Bonds or BANs issued hereunder may be issued on a basis such that the payment of the principal of or interest on (or both) such series of Bonds is junior and subordinate to the payment of the principal of and interest on other series of Bonds issued hereunder (and/or any other revenue bonds secured by a pledge of Net Revenues, whether now outstanding or hereafter issued), all as provided by the terms of such series of Bonds as modified pursuant to this authorization. Such financial assistance, if any, shall be as provided in the Financial Assistance Agreement and the Bonds of each series of Bonds and the BANs of each series of BANs issued hereunder (including any modification made pursuant to the authorization in this paragraph to the form of Bond otherwise contained herein).

(d) Credit Enhancement; Opinion of Bond Counsel. Prior to the delivery of the Bonds and the BANs, the Controller (i) shall be authorized to investigate, negotiate and obtain bond insurance, other forms of credit enhancement and/or credit ratings on the Bonds (and the BANs, if issued) and (ii) shall obtain a legal opinion as to the validity of the Bonds (and the BANs, if issued) from Faegre Baker Daniels LLP, Indianapolis, Indiana, bond counsel for the City, with such opinion or opinions to be furnished to the purchaser or purchasers of the Bonds or to the purchaser of the BANs at the expense of the City. The costs of obtaining any such insurance, other credit enhancement and/or credit ratings, together with bond counsel's fee in preparing and delivering such opinion or opinions and in the performance of related services in connection with the issuance, sale and delivery of the Bonds and the BANs, shall be considered as a part of the cost of the Project and shall be paid out of the proceeds of the Bonds and BANs, respectively.

SECTION 10. Disposition of Proceeds of the Bonds and BANs; City of Bloomington, Waterworks Construction Account. All accrued interest, if any, received at the time of the delivery of the Bonds shall be deposited in the Waterworks Sinking Fund. The remaining proceeds from the sale of the Bonds, to the extent not used to refund the BANs, and BAN proceeds shall be deposited in a bank or banks which are legally qualified depositories for the funds of the City, in the special account to be designated as "City of Bloomington, Waterworks Construction Account" (the "Construction Account"). Amounts in the Construction Account shall be expended only for the purpose of paying the costs of the Project, refunding the BANs, if

issued, paying the costs of issuance of the Bonds and the BANs, if the BANs are issued, or as otherwise permitted or required by the Act. Any balance or balances remaining unexpended in the Construction Account after completion of the Project, which are not required to meet unpaid obligations incurred in connection with the acquisition, construction, installation or equipping of the Project, shall be used solely for one or more of the purposes permitted under the provisions of Indiana Code 5-1-13, as amended, or be applied upon the terms set forth in the Financial Assistance Agreement.

Notwithstanding the provisions of this Section 10, if BANs are issued, then the proceeds of the Bonds relating thereto shall be used to refund the BANs or to pay additional Project costs and are hereby pledged for such purposes, and any proceeds of the Bonds remaining after the BANs have been paid in full and after completion of the Project shall be used solely for one or more of the purposes permitted under the provisions of Indiana Code 5-1-13, as amended.

If the Bonds are sold to the Authority, to the extent that (i) the total principal amount of the Bonds is not paid by the purchaser or drawn down by the City or (ii) proceeds remain in the Construction Account and are not applied to the Project (or any modifications or additions thereto approved by the Authority), the City shall reduce the principal amount of the Bonds' maturities to effect such reduction in a manner that will still achieve as level an annual debt service as practicable as described in Section 3 of this Ordinance subject to and upon the terms forth in the Financial Assistance Agreement.

SECTION 11. Segregation and Application of Waterworks Revenues. All revenues derived from the operation of the Waterworks and from the collection of water rates and charges shall be deposited in a fund previously established and continued hereby and designated as the Waterworks Revenue Fund and segregated and kept separate and apart from all other funds and bank accounts of the City. Out of said revenues the proper and reasonable expenses of operation and maintenance of the Waterworks shall be paid, the requirements of the Waterworks Sinking Fund shall be made and fiscal agency charges of bank registrars and paying agents shall be paid, and the costs of replacements, extensions, additions and improvements shall be paid as hereinafter provided.

SECTION 12. Operation and Maintenance Fund. There is hereby continued from the Prior Ordinances an Operation and Maintenance Fund consisting of a General Account (the "General Account"). On the last day of each calendar month, there shall be credited from the Revenue Fund to the General Account a sufficient amount of the revenues of the Waterworks so that the balance maintained in the General Account shall be sufficient to pay the expenses of operation and maintenance of the Waterworks for the next succeeding two (2) calendar months. The moneys credited to the General Account shall be used for the payment of the reasonable and proper operation and maintenance expenses of the Waterworks on a day-to-day basis, but none of the moneys in such account shall be used for depreciation, payments in lieu of taxes, replacements, improvements, extensions or additions with respect to the Waterworks. Any moneys in the General Account may be transferred to the Waterworks Sinking Fund previously established and continued hereby if necessary to prevent a default in the payment of principal of or interest on outstanding bonds of the Waterworks.

All remaining revenues of the Waterworks shall be transferred from time to time to meet the requirements of the Waterworks Sinking Fund. Moneys in excess of those transferred to the Waterworks Sinking Fund may be transferred to the Waterworks Improvement Fund or may be retained in the General Account, in the discretion of the Board, and in a manner consistent with the requirements of this Ordinance.

SECTION 13. Waterworks Sinking Fund.

(a) There is hereby continued from the Prior Ordinances a Waterworks Sinking Fund (defined herein as the "Waterworks Sinking Fund" or "Sinking Fund") for the payment of the principal of and interest on revenue bonds which by their terms are payable from the Net Revenues of the Waterworks, and the payment of any fiscal agency charges in connection with the payment of such bonds and interest thereon. There shall be set aside and deposited in the Sinking Fund, as available, and as provided below, a sufficient amount of the Net Revenues of the Waterworks to meet the requirements of the Bond and Interest Account and the Debt Service Reserve Account previously established and continued hereby in the Sinking Fund. Such



payments shall continue until the balance in the Bond and Interest Account, plus the balance in the Debt Service Reserve Account, if any, equals the principal of and interest on all of the then outstanding bonds of the Waterworks to their final maturity and provision is made for the payment of all fiscal agency charges in connection therewith.

(b) Bond and Interest Account. There shall be credited on the last day of each calendar month to the Bond and Interest Account previously established and continued hereby, an amount of Net Revenues of the Waterworks equal to the sum of at least one-sixth (1/6) of the interest on all then outstanding bonds of the Waterworks payable on the then next succeeding Interest Payment Date, and at least one-sixth (1/6) of the principal of all then outstanding bonds of the Waterworks payable on the then next succeeding principal payment date, until the amount of interest and principal payable on the next succeeding respective principal and interest payment dates shall have been so credited; provided that such fractional amounts shall be appropriately increased, if necessary, to provide for the first interest and first principal payments on the Bonds. There shall similarly be credited to the account the amount necessary to pay the bank fiscal agency charges, if any, for paying principal and interest on outstanding bonds of the Waterworks as the same become payable. The City shall, from the sums deposited in the Sinking Fund and credited to the Bond and Interest Account, remit promptly to the registered owners of the outstanding bonds of the Waterworks or to the bank fiscal agency sufficient moneys to pay the principal and interest on the due dates thereof together with the amount of any bank fiscal agency charges.

(c) Debt Service Reserve Account. The City has funded with cash of has purchased Surety Bonds ("Outstanding Surety Bonds") to satisfy the reserve requirements for the Prior Bonds, which cash and Outstanding Surety Bonds are held in the Debt Service Reserve Account (the "Reserve Account") as a reserve for the Prior Bonds.

For each series of Bonds issued under this Ordinance, the City shall purchase a Surety Bond, or use Bond proceeds, funds on hand or a combination thereof, to fund the Reserve Account for said series of Bonds. Upon the issuance of each series of Bonds, the Reserve Account shall contain for said series of Bonds an amount equal to the least of (i) the maximum annual debt service on said series of Bonds, (ii) one hundred twenty-five percent (125%) of the average annual debt service on said series of Bonds, or (iii) ten percent (10%) of the proceeds of said series of Bonds; provided, however, that for so long as the Indiana Finance Authority is the owner of any Prior Bonds, the Bonds or any other bonds payable from the Net Revenues of the Waterworks, the total balance maintained in the Reserve Account (taking into account the Outstanding Surety Bonds, any other Surety Bonds, and any cash held therein) shall not be less than the maximum annual debt service on the Prior Bonds and the Bonds (the "Reserve Requirement").

The Reserve Account shall constitute the margin for safety as a protection against default in the payment of principal of and interest on the Prior Bonds and the Bonds (and any other parity bonds of the City payable from the Net Revenues of its Waterworks hereafter issued so long as the Reserve Requirement has been increased proportionately), and the moneys in the Reserve Account shall only be used to pay current principal and interest on the Bonds and the Prior Bonds to the extent that moneys in the Bond and Interest Account are insufficient for that purpose. If it becomes necessary to draw upon the Reserve Account to pay the Prior Bonds or the Bonds, the City shall first draw down the cash in the Reserve Account, if any, and next initiate draws on any Surety Bonds held therein, including the Outstanding Surety Bonds, on a pro rata basis, to meet such payments when due. Notwithstanding the foregoing sentence, if the Reserve Requirement for the Bonds is funded in whole or in part with cash rather than in whole with a Surety Bond, the City shall, if necessary to pay principal of or interest on the Bonds, use the cash in the Reserve Account to first pay such principal of or interest on the Bonds before such cash is used on the Prior Bonds. Any deficiency in the balance maintained in the Reserve Account shall be promptly made up from the next available Net Revenues remaining after credits into the Bond and Interest Account. In the event moneys in the Reserve Account are transferred to the Bond and Interest Account to pay principal and interest on the Prior Bonds or Bonds, respectively, then such depletion of the balance in the Reserve Account shall be made up from the next available Net Revenues after the credits into the Bond and Interest Account hereinbefore provided for. Any moneys in the Reserve Account in excess of the Reserve Requirement shall be transferred to the Waterworks Improvement Fund, and in no event shall such excess moneys be held in the Reserve Account.

(d) Depository Agreements. The Sinking Fund, containing the Bond and Interest Account and the Reserve Account, and/or the Construction Account may be held by a financial institution acceptable to the Authority, pursuant to terms acceptable to the Authority. If the Sinking Fund and the accounts therein are held in trust, the City shall transfer the monthly required amounts of Net Revenues to the Bond and Interest Account and the Reserve Account, and the financial institution holding such funds in trust shall be instructed to pay the required payments in accordance with the payment schedules for the City's outstanding bonds. The Common Council hereby authorizes the Mayor and the Controller to execute and deliver an agreement with a financial institution to reflect this trust arrangement for the Sinking Fund and/or the Construction Account.

SECTION 14. Waterworks Improvement Fund. As set forth in Section 12 hereof, revenues may be transferred or credited from the General Account to the "Waterworks Improvement Fund" hereby continued (the "Improvement Fund"). Subject to the provisions of the Prior Ordinances, the Improvement Fund shall be used for (a) improvements, replacements, additions and extensions of the Waterworks, (b) for payments in lieu of taxes, and (c) for any other lawful purpose related to the Waterworks. Moneys in the Improvement Fund shall be transferred to the Sinking Fund if necessary to prevent a default in the payment of principal and interest on the then outstanding bonds payable from the Sinking Fund or if necessary to eliminate any deficiencies in credits to or minimum balances, if any, in the Reserve Account. Moneys in the Improvement Fund also may be transferred to the Operation and Maintenance Fund to meet unforeseen contingencies in the operation and maintenance of the Waterworks.

SECTION 15. Priority of Payments. All revenues of the Waterworks shall be paid in the following order, with the priority as indicated:

- (a) First to pay all expenses of the operation and maintenance of the Waterworks;
- (b) Second, on a *pari passu* (parity) basis, to pay all principal of and interest on the Prior Bonds, the Bonds and any bonds hereafter issued which rank on a parity with the Bonds;
- (c) Third, on a *pari passu* (parity) basis, to replenish any cash drawn from the Reserve Account if the Reserve Requirement (as defined in Ordinance No. 01-42) for the 2003 New Money Bonds or the 2003 Refunding Bonds is satisfied, in whole or in part, with cash and to replenish any surety bonds in place for either the Prior Bonds or the Bonds;
- (d) Fourth to replenish any other cash drawn, if any, from the Reserve Account;
- (e) Fifth to pay the costs of improvements, replacements, additions and extensions of the Waterworks and for payments in lieu of taxes; and
- (f) All other lawful uses related to the Waterworks, including debt service payments on any junior and subordinate bonds.

SECTION 16. Separation of Funds; Investment of Moneys Therein. The Waterworks Sinking Fund shall be deposited in and maintained as a separate bank account or accounts from all other bank accounts of the City. The Operation and Maintenance Fund and the Waterworks Improvement Fund may be maintained in a single bank account, or accounts, but such bank account, or accounts, shall likewise be maintained separate and apart from all other bank accounts of the City and apart from the Waterworks Sinking Fund bank account or accounts. Each of the funds and accounts of the Waterworks shall be deposited, held, secured or invested in accordance with the laws of the State of Indiana relating to the depositing, holding, securing or investing of public funds, including, particularly, applicable provisions of Indiana Code 5-13-9, as amended. Any interest or income derived from any such investments shall become a part of the moneys in the fund or account so invested, provided, however, that income derived from investment of moneys in the Debt Service Reserve Account of the Waterworks Sinking Fund, if any, which result in the amount of moneys therein to be in excess of the Reserve Requirement shall be transferred to the Waterworks Improvement Fund.

SECTION 17. Books of Record and Accounts. The City shall keep proper books of record and accounts, separate from all of its other records and accounts, in which complete and correct entries shall be made showing all revenues collected from said works and deposited in said funds, and all disbursements made therefrom on account of the operation of the works, and to meet the requirements of the Waterworks Sinking Fund, and all other financial transactions relating to said works. There shall be prepared and furnished, upon written request, to any owner of the Bonds or BANs at the time then outstanding, not more than ninety (90) days after the close of each fiscal year, complete financial statements of the works, covering the preceding fiscal year, which annual statements shall be certified by the Controller or by licensed independent public accountants employed for that purpose. Copies of all such statements and reports shall be kept on file in the office of the Director of the City of Bloomington Utilities. Any owner or owners of the Bonds or BANs then outstanding shall have the right at all reasonable times to inspect the works and all records, accounts and data of the City relating thereto. Such inspections may be made by representatives duly authorized by written instrument.

If the Bonds or BANs are sold to the Authority, the City shall establish and maintain the books and other financial records of the Project (including the establishment of a separate account or subaccount for the Project) and the Waterworks in accordance with (i) generally accepted accounting standards for utilities, on an accrual basis, as promulgated by the Government Accounting Standards Board, and (ii) the rules, regulations and guidance of the State Board of Accounts.

SECTION 18. Covenant with Respect to Rates and Charges. The City shall establish, maintain and collect reasonable and just and equitable rates and charges for facilities and services afforded and rendered by the Waterworks, which shall to the extent permitted by law produce sufficient revenues at all times to pay all the legal and other necessary expense incident to the operation of the Waterworks, to include maintenance costs, operating charges, upkeep, repairs, interest charges on bonds or other obligations, to provide for the proper operation, repair and maintenance of the Waterworks, to provide the sinking fund and debt service reserve for the liquidation of bonds or other evidences of indebtedness, to provide adequate funds to be used as working capital, as well as funds for making extensions, additions and replacements, and also, for the payment of any taxes that may be assessed against the Waterworks, it being the intent and purpose hereof that such charges shall produce an income sufficient to maintain such utility property in a sound physical and financial condition to render adequate and efficient service. The rates and charges shall be established to the extent permitted by law, to produce Net Revenues sufficient to pay 1.20 times the annual debt service on the Prior Bonds, the Bonds and bonds hereafter issued on a parity with the Bonds. So long as any of the Bonds are outstanding, none of the facilities or services afforded or rendered by the Waterworks shall be furnished without a reasonable and just charge being made therefor. The City shall pay like charges for any and all services rendered by the Waterworks to the City, and all such payments shall be deemed to be revenues of the Waterworks. Such rates and charges shall, if necessary, be changed and adjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of operation and maintenance, and the requirements of the Sinking Fund.

SECTION 19. Defeasance. If, when the Bonds or BANs issued hereunder (or portions thereof) shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Bonds or BANs (or portions thereof) for redemption shall have been given, and the whole amount of the principal, the interest and the premium, if any, so due and payable upon all of the Bonds or BANs (or portions thereof) then outstanding shall be paid; or (i) sufficient moneys, or (ii) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, the principal of and the interest on which when due will provide sufficient moneys, or (iii) time certificates of deposit fully secured as to both principal and interest by obligations of the kind described in (ii) above of a bank or banks the principal of and interest on which when due will provide sufficient moneys, shall be held in trust for such purpose, and provision shall also be made for paying all fees and expenses for the redemption, then and in that case the Bonds or BANs, as applicable (or portions thereof), issued hereunder shall no longer be deemed outstanding or entitled to the pledge of the Net Revenues of the City's Waterworks.

SECTION 20. Additional BANs and Bonds. The City reserves the right to authorize and issue additional BANs at any time ranking on a parity with the BANs so long as the interest is payable only on the same date(s) as that provided in the BAN Purchase Agreement and the principal is payable solely from the Bond proceeds. The City also reserves the right to authorize and issue additional bonds, payable out of the Net Revenues of its Waterworks, ranking on a parity with the Prior Bonds and with the Bonds authorized by this Ordinance, for the purpose of financing the cost of future additions, extensions and improvements to the Waterworks, or to refund obligations, subject to the following conditions:

(a) All required payments into the Sinking Fund and the accounts thereof shall have been made in accordance with the provisions of this Ordinance, and the interest on and principal of all bonds payable from the Net Revenues of the Waterworks shall have been paid to date in accordance with their terms. The Reserve Account must contain, for all outstanding bonds, upon the issuance of additional parity bonds, (i) the reserve requirement for all outstanding bonds or (ii) reserve insurance must be obtained for all outstanding bonds, and for the additional parity bonds, the Reserve Account must contain, upon the issuance of additional parity bonds, (i) the lesser of (1) maximum annual debt service on the additional parity bonds, (2) one hundred twenty-five percent (125%) of the average annual debt service on the additional parity bonds, or (3) ten percent (10%) of the proceeds of the additional parity bonds, provided, however, that for so long as the Indiana Finance Authority owns any Prior Bonds, such amount shall be equal to the maximum annual debt service on the additional parity bonds, or (ii) reserve insurance must be attained for the additional parity bonds. For purposes of this subsection, proceeds of the additional parity bonds shall mean the face amount of the additional parity bonds plus premium, if any, less original issue discount, if any. As long as the Surety Bond for the 2000 Bonds is in effect, only a Qualified Surety Bond (as defined in the 2000 Ordinance) may be used as reserve insurance and, for so long as the 2000 Bonds or the 2003 New Money Bonds are outstanding, any Surety Bond for the reserve must be from a company, and in a form, acceptable to the Indiana Finance Authority.

(b) The Net Revenues of the Waterworks in the calendar year immediately preceding the issuance of any such additional bonds ranking on a parity with the Bonds authorized by this Ordinance shall be not less than one hundred twenty-five percent (125%) of the maximum annual interest and principal requirements of the then outstanding bonds and the additional parity bonds proposed to be issued; or, prior to the issuance of said parity bonds, the water rates and charges shall be increased sufficiently so that said increased rates and charges applied to the previous calendar year's operations would have produced Net Revenues for said year equal to not less than one hundred twenty-five percent (125%) of the maximum annual interest and principal requirements of the then outstanding bonds and the additional parity bonds proposed to be issued. For purposes of this subsection, the records of the Waterworks shall be analyzed and all showings shall be prepared by a certified public accountant or nationally recognized financial consultant or consulting engineer employed by the City for that purpose. For purposes of this subsection, Net Revenues shall not include non-recurring revenues of the Waterworks as certified by the Board or any outstanding fund balances from prior years.

(c) The principal of said additional parity bonds shall be payable semiannually on January 1 and July 1 and the interest on said additional parity bonds shall be payable semiannually on January 1 and July 1 in the years in which such principal and interest are payable.

(d) To the extent required by law, the issuance of additional bonds and any necessary increase in water rates and charges shall be approved by the Indiana Utility Regulatory Commission.

(e) If the Bonds are sold to the Authority, (i) the City has obtained the consent of the Authority, (ii) the City has faithfully performed and is in compliance with each of its obligations, agreements and covenants contained in the Financial Assistance Agreement and this Ordinance, and (iii) the City is in compliance with its waterworks permits, except for non-compliance for which the bonds are to be issued, including refunding bonds issued prior to, but part of, the overall plan to eliminate such non-compliance.

SECTION 21. Additional Covenants of the City. For the purpose of further safeguarding the interests of the owners of the Bonds and BANs, it is specifically provided as follows:

(a) All contracts let by the City in connection with the construction of said additions and improvements to the Waterworks shall be let after due advertisement as required by the laws of the State of Indiana, and all contractors shall be required to furnish surety bonds in an amount equal to one hundred percent (100%) of the amount of such contracts, to insure the completion of said contracts in accordance with their terms, and such contractors shall also be required to carry such employer's liability and public liability insurance as are required under the laws of the State of Indiana in the case of public contracts, and shall be governed in all respects by the laws of the State of Indiana relating to public contracts.

(b) Said additions and improvements shall be constructed under the supervision and subject to the approval of the Consulting Engineers or such other competent engineer as shall be designated by the Common Council. All estimates for work done or material furnished shall first be checked by the Consulting Engineers and approved by the Common Council.

(c) The City shall at all times maintain its Waterworks in good condition and operate the same in an efficient manner and at a reasonable cost.

(d) So long as any of the Bonds or BANs are outstanding, the City shall maintain insurance coverage (which must be acceptable to the Authority if the Authority owns the Bonds or the BANs), including fidelity bonds, to protect the Waterworks and its operations on the insurable parts of said works of a kind and in an amount such as would normally be carried by private companies engaged in a similar type of business. All insurance shall be placed with responsible insurance companies qualified to do business under the laws of the State of Indiana. All insurance proceeds and condemnation awards shall be used in replacing or restoring the property destroyed, damaged or taken; alternatively, they may be applied as Net Revenues of the works, but only with the consent of the Authority, if the Bonds or BANs have been sold to the Authority.

(e) So long as any of the Bonds or BANs are outstanding, the City shall not mortgage, pledge or otherwise encumber such works, or any part thereof, nor shall it sell, lease or otherwise dispose of any portion thereof except to replace equipment which may become worn out or obsolete.

(f) If the Bonds or BANs are sold to the Authority to finance Eligible Costs (as defined in the Financial Assistance Agreement), the City shall not borrow any money, enter into any contract or agreement or incur any other liabilities in connection with the Waterworks, other than for normal operating expenditures, without the prior written consent of the Authority, if such undertaking would involve, commit or use the revenues of the Waterworks.

(g) Except as hereinbefore provided in Section 20 hereof, so long as any of the Bonds are outstanding, no additional bonds or other obligations pledging any portion of the revenues of said Waterworks shall be authorized, executed or issued by the City except such as shall be made subordinate and junior in all respects to the Bonds, unless all of the Bonds are redeemed, retired or defeased pursuant to Section 19 hereof coincidentally with the delivery of such additional bonds or other obligations.

(h) The provisions of this Ordinance shall constitute a contract by and between the City and the owners of the Bonds and BANs, and after the issuance of said Bonds and BANs, subject to the rights of the City under Sections 25 and 26 hereof, this Ordinance shall not be repealed or amended in any respect which will adversely affect the rights of the owners of said Bonds and BANs, nor shall the Common Council adopt any law, ordinance or resolution which in any way adversely affects the rights of such owners so long as any of said Bonds or BANs or the interest thereon remains unpaid. Except with respect to amendments described in Section 26(a) through (g) hereof, however, this Ordinance may be amended without the consent of the owners of the Bonds or the BANs (i) if, among other things, the Common Council determines, in its sole discretion, that such amendment would not adversely affect the owners of the Bonds or the BANs, respectively, and (ii) as otherwise permitted pursuant to Section 25 or 26 hereof; provided, however, that if the Bonds or BANs are sold to the Authority, the City shall obtain the prior written consent of the Authority.

(i) The provisions of this Ordinance shall be construed to create a trust in the proceeds of the sale of the Bonds and BANs for the uses and purposes herein set forth, and the owners of the Bonds and BANs shall retain a lien on such respective proceeds until the same are applied in accordance with the provisions of this Ordinance and of the Act. The provisions of this Ordinance shall also be construed to create a trust in the portion of the Net Revenues herein directed to be set apart and paid into the Waterworks Sinking Fund for the uses and purposes of said fund as in this Ordinance set forth. The owner of said Bonds and BANs shall have all of the rights, remedies and privileges under Indiana law in the event of default in the payment of the principal of or interest on any of the Bonds or BANs or in the event of default in respect to any of the provisions of this Ordinance or the Act.

SECTION 22. Permitted Actions Relating to Preservation of Exclusion of Interest from Federal Gross Income.

(a) The Controller is hereby authorized to invest moneys pursuant to the provisions of this Ordinance and Indiana Code 5-1-14-3 at a restricted yield (subject to applicable requirements of federal law to insure that any such investment is acquired for fair market value) to the extent necessary or advisable to preserve the exclusion from gross income of interest on the Bonds and BANs, or the tax exempt status of interest on the Bonds and BANs, under federal law.

(b) The Controller shall keep full and accurate records of investment earnings and income from moneys held in the funds and accounts created or referenced herein. In order to comply with the provisions of this Ordinance, the Controller is hereby authorized and directed to employ consultants or attorneys from time to time to advise the City as to requirements of federal law to preserve the tax exclusion or exemption.

SECTION 23. Tax Covenants. In order to preserve the exclusion of interest on the Bonds and BANs from gross income for federal income tax purposes and as an inducement to purchasers of the Bonds and BANs, the City represents, covenants and agrees that:

(a) No person or entity or any combination thereof, other than the City or any other governmental unit ("Governmental Unit") within the meaning of Section 141(b)(6) and Section 150(a)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), will use more than ten percent (10%) of the proceeds of the Bonds or BANs or property financed by the Bond or BAN proceeds other than as a member of the general public. No person or entity or combination thereof, other than the City or any other Governmental Unit will own property financed by more than ten percent (10%) of the Bond or BAN proceeds or will have actual or beneficial use of such property pursuant to a lease, a management or incentive payment contract, an arrangement such as a take-or-pay or other type of output contract or any other type of arrangement that differentiates that person's or entity's use of such property from the use by the public at large, except pursuant to a management or similar contract which satisfies the requirements of IRS Revenue Procedure 97-13.

(b) No Bond or BAN proceeds will be loaned to any entity or person. No Bond or BAN proceeds will be transferred, directly or indirectly, or deemed transferred to a nongovernmental person in any manner that would in substance constitute a loan of the Bond or BAN proceeds.

(c) The City will not take, or cause or permit to be taken by it or by any party under its control, or fail to take or cause or permit to fail to be taken by it or by any party under its control, any action with respect to the Bonds or BANs that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds or BANs pursuant to Section 103 of the Code, nor will the City act in any other manner which would adversely affect such exclusion. The City further covenants that it will not make any investment or do any other act or thing during the period that any Bond or BAN is outstanding hereunder which would cause any Bond or BAN to be an "arbitrage bond" within the meaning of Section 148 of the Code and the regulations applicable thereto as in effect on the date of delivery of the Bonds or BANs.

(d) The City will, to the extent necessary to preserve the exclusion of interest on the Bonds and BANs from gross income for federal income tax purposes, rebate all required arbitrage profits on Bond and BAN proceeds or other moneys treated as Bond or BAN proceeds to the federal government and will set aside such moneys in a Rebate Account to be held by the Controller in trust for such purpose.

SECTION 24. Compliance with Tax Sections. Notwithstanding any other provisions of this Ordinance, the covenants and authorizations contained in this Ordinance (the "Tax Sections") which are designed to preserve the tax-exempt status of interest on the Bonds and BANs or the exclusion of interest on the Bonds and BANs from gross income under federal law (the "Tax Exemption") need not be complied with if the City receives an opinion of nationally recognized bond counsel that any Tax Section is unnecessary to preserve the Tax Exemption. In addition, the City is authorized to issue one or more series of Bonds or BANs, the interest on which is not excludable from gross income under federal law, in which case the Tax Sections of this Ordinance shall not apply to such series of Bonds or BANs.

SECTION 25. Supplemental Ordinances Without Consent. Without notice to or consent of the owners of the Bonds or BANs herein authorized, the City may, from time to time and at any time, adopt an ordinance or ordinances supplemental hereto (which supplemental ordinance or ordinances shall thereafter form a part hereof) for any of the following purposes:

(a) To cure any ambiguity or formal defect or omission in this Ordinance or in any supplemental ordinance or to make any other change authorized herein;

(b) To grant to or confer upon the owners of the Bonds and BANs any additional benefits, rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the owners of the Bonds and BANs or to make any change which, in the judgment of the City, is not to the prejudice of the owners of the Bonds or BANs;

(c) To modify, amend or supplement this Ordinance to permit the qualification of the Bonds or BANs for sale under the securities laws of the United States of America or of any of the states of the United States of America or to obtain or maintain bond insurance or other credit enhancement with respect to payments of principal of and interest on Bonds or BANs;

(d) To provide for the refunding or advance refunding of the Bonds;

(e) To procure a rating on the Bonds from a nationally recognized securities rating agency or agencies designated in such supplemental ordinance if such supplemental ordinance will not adversely affect the owners of the Bonds or any other bonds ranking on a parity with such Bonds; or

(f) To accomplish any other purpose which, in the judgment of the City, does not adversely affect the interests of the owners of the Bonds or BANs;

provided, however, that if the Bonds or BANs are sold to the Authority, the City shall obtain the prior written consent of the Authority..

SECTION 26. Supplemental Ordinances Without Consent. Subject to the terms and provisions contained in this Section 26 and Section 21(h) of this Ordinance, and not otherwise, the owners of not less than sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the Bonds issued pursuant to this Ordinance and then outstanding shall have the right, from time to time, anything contained in this Ordinance to the contrary notwithstanding, to consent to and approve the adoption by the City of such ordinance or ordinances supplemental hereto as shall be deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding in any particular any of the terms or provisions contained in this Ordinance, or in any supplemental ordinance; provided, however, that if the Bonds or BANs are sold to the Authority, the City shall obtain the prior written consent of the Authority; and provided, further, that nothing herein contained shall permit or be construed as permitting:

- (a) An extension of the maturity of the principal of or interest on any Bond issued pursuant to this Ordinance; or
- (b) A reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon; or
- (c) The creation of a lien upon or a pledge of the Net Revenues of the Waterworks ranking prior to the pledge thereof created by this Ordinance; or
- (d) A preference or priority of any Bond or Bonds issued pursuant to this Ordinance over any other Bond or Bonds issued pursuant to the provisions of this Ordinance; or
- (e) A reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance; or
- (f) A reduction in the Reserve Requirement; or
- (g) The extension of mandatory sinking fund redemption dates, if any.

If the owners of not less than sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the Bonds outstanding at the time of adoption of such supplemental ordinance shall have consented to and approved the adoption thereof by written instrument to be maintained on file in the office of the Controller of the City, no owner of any Bond issued pursuant to this Ordinance shall have any right to object to the adoption of such supplemental ordinance or 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 adoption thereof, or to enjoin or restrain the City or its officers from adopting the same, or from taking any action pursuant to the provisions thereof. Upon the adoption of any supplemental ordinance pursuant to the provisions of this Section 26, this Ordinance shall be, and shall be deemed, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Ordinance of the City and all owners of Bonds issued pursuant to the provisions of this Ordinance then outstanding, shall thereafter be determined, exercised and enforced in accordance with this Ordinance, subject in all respects to such modifications and amendments. Notwithstanding anything contained in the foregoing provisions of this Ordinance, the rights and obligations of the City and of the owners of the Bonds authorized by this Ordinance, and the terms and provisions of the Bonds and this Ordinance, or any supplemental ordinance, may be modified or altered in any respect with the consent of the City and the consent of the owners of all the Bonds issued pursuant to this Ordinance then outstanding.

SECTION 27. Reimbursement of Preliminary Expenditures. The Common Council hereby declares that, for the purpose of evidencing compliance with Indiana Code 5-1-14-6 and Section 1.150-2 of the Treasury Regulations, it reasonably expects to reimburse with the proceeds of the Bonds or BANs (in an amount not to exceed and payable from the sources set forth above) expenditures for the payment of the costs of the Project made by or on behalf of the City prior to the issuance of the Bonds or BANs during the period beginning on the date sixty (60) days prior to the effective date of this Ordinance until the date of issuance of the Bonds or BANs, as the case may be, which expenditures are expected to be paid initially from other legally available funds of the City.

SECTION 28. Repeal of Conflicting Ordinances. All ordinances, resolutions and orders, or parts thereof, in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed; provided, however, that this Ordinance shall not be deemed in any way to repeal, amend, alter or modify any of the Prior Ordinances, nor be construed as adversely affecting the rights of any of the owners of the outstanding Prior Bonds.

SECTION 29. Rates and Charges. The estimate of rates and charges which will be needed and charged to the general classes of users of property to be served by the Waterworks in order to provide sufficient moneys to make payments of principal of and interest on the Bonds, along with the other payments identified in this Ordinance, is set forth in Ordinance No. 16-08, adopted by the Common Council on June 15, 2016.



SECTION 30. Official Statement. Any series of the Bonds may be offered and sold pursuant to an Official Statement or other offering document with respect to such Bonds (the "Official Statement"), to be made available and distributed in such manner, at such times, for such periods and in such number of copies as may be required pursuant to Rule 15c2-12 promulgated by the United States Securities and Exchange Commission (the "Rule") and any and all applicable rules and regulations of the Municipal Securities Rulemaking Board. The City hereby authorizes the Controller (a) to authorize and approve a Preliminary Official Statement, as the same may be appropriately confirmed, modified and amended for distribution as the Preliminary Official Statement of the City; (b) on behalf of the City, to designate the Preliminary Official Statement a "final" Official Statement with respect to such Bonds, subject to completion as permitted by and otherwise pursuant to the Rule; and (c) to authorize and approve the Preliminary Official Statement to be placed into final form and to enter into such agreements or arrangements as may be necessary or advisable in order to provide for the distribution of a sufficient number of copies of the Official Statement under the Rule. The Mayor and the Controller are further authorized to execute and attest, respectively, an agreement in connection with the offering of such Bonds in accordance with the Rule by which the City agrees to undertake such continuing disclosure obligations as may be required under the Rule.

SECTION 31. Controller's Certificate. The Controller shall, prior to the sale of the Bonds, set forth in a certificate (the "Controller's Certificate") the principal payment schedule for the Bonds, the percentage of par at which the Bonds shall be sold and any other matters required by this Ordinance to be provided in the Controller's Certificate.

SECTION 32. Payments on Holidays. If the date of making any payment or the last date for performance of any act or the exercising of any right, as provided in this Ordinance, shall be a legal holiday or a day on which banking institutions in the City or in the town or city in which the Registrar and Paying Agent is located are typically closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are typically closed, with the same force and effect as if done on the nominal date provided in this Ordinance, and no interest shall accrue for the period after such nominal date. Notwithstanding the foregoing, with respect to any Bonds sold to the Authority pursuant to Section 9 of this Ordinance, if the date for making any payment is a day when financial institutions are not open for business, such payment shall be made on the business day immediately preceding such payment date.

SECTION 33. Separability. If any section, paragraph or provision of this Ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Ordinance.


SECTION 34. Captions. The captions in this Ordinance are inserted only as a matter of convenience and reference, and such captions are not intended and shall not be construed to define, limit, establish, interpret or describe the scope, intent or effect of any provision of this Ordinance.

SECTION 35. Effectiveness. This Ordinance shall be in full force and effect from and after its passage.


PASSED AND ADOPTED by the Common Council of the City of Bloomington, Monroe County, Indiana, upon this 12<sup>th</sup> day of July, 2016.

  
\_\_\_\_\_  
ANDY RUFF, President  
Bloomington Common Council

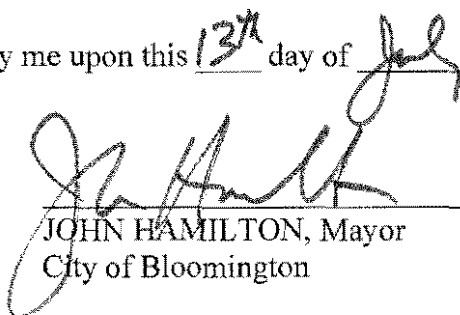
ATTEST:

  
\_\_\_\_\_  
NICOLE BOLDEN, Clerk  
City of Bloomington

PRESENTED by me to the Mayor of the City of Bloomington, Monroe County, Indiana, upon this 13<sup>th</sup> day of July, 2016.

  
\_\_\_\_\_  
NICOLE BOLDEN, Clerk  
City of Bloomington

This Ordinance SIGNED and APPROVED by me upon this 13<sup>th</sup> day of July, 2016.

  
\_\_\_\_\_  
JOHN HAMILTON, Mayor  
City of Bloomington

#### SYNOPSIS

This ordinance authorizes the issuance of waterworks revenue bonds in an amount not to exceed \$4.6 million for improvements and extensions to the City's waterworks.

*Please note that this ordinance was edited after it was issued in the Council's Legislative Packet, but before it was introduced at First Reading, to add a synopsis.*

APPENDIX A

[Form of Bond]

UNITED STATES OF AMERICA  
STATE OF INDIANA, COUNTY OF MONROE  
CITY OF BLOOMINGTON, INDIANA,  
WATERWORKS REVENUE BOND OF 20\_\_\_\_

No. \_\_\_\_ R- \_\_\_\_

Interest Rate	[Maturity Date]	Original Date	Authentication Date	[CUSIP No.]
------------------	--------------------	------------------	------------------------	-------------

Registered Owner:

Principal Amount:

The City of Bloomington (the "City"), in Monroe County, State of Indiana, for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, upon surrender hereof, solely out of the special revenue fund hereinafter referred to, the Principal Amount stated above, [on the Maturity Date stated above][or so much thereof as may be advanced from time to time and be outstanding as evidenced by the records of the registered owner making payment for this Bond, on January 1 and July 1 on the dates and in the amounts as set forth on Schedule A attached hereto] (unless this bond be subject to and shall have been called for redemption prior to maturity as hereinafter provided), and to pay interest hereon until the Principal Amount is fully paid at the Interest Rate per annum stated above from the interest payment date to which interest has been paid next preceding the Authentication Date of this bond, unless this bond is authenticated after the fifteenth day of the calendar month immediately preceding an interest payment date and on or before such interest payment date, in which case it shall bear interest from such interest payment date, or unless this bond is authenticated on or before \_\_\_\_\_ 15, 20\_\_\_\_, in which case it shall bear interest from the Original Date stated above. Interest on this bond shall be payable semiannually on January 1 and July 1 of each year, commencing \_\_\_\_\_ 1, 20\_\_\_\_, and shall be calculated on the basis of twelve (12) thirty (30)-day months for a three hundred sixty (360)-day year.

The principal of and premium, if any, on this bond are payable at the principal office of \_\_\_\_\_ in the \_\_\_\_\_ of \_\_\_\_\_, Indiana, as Registrar and Paying Agent (which term shall include any successor registrar and paying agent). All payments of interest hereon shall be paid by check or draft mailed or delivered by the Paying Agent to the Registered Owner hereof at the address as it appears on the registration books of the Registrar as of the fifteenth day of the calendar month immediately preceding the applicable interest payment date or at such other address as is furnished to the Registrar and Paying Agent in writing by such Registered Owner. All payments on this bond shall be made in any coin or currency of the United States of America which, on the dates of such payments, shall be legal tender for the payment of public and private debts.

[Notwithstanding the foregoing, if payment of principal or interest is made to a depository, payment shall be made by wire transfer on the payment date in same-day funds.] [Notwithstanding the foregoing paragraph, so long as this bond is registered in the name of the Indiana Finance Authority (the "Authority"), principal of and interest on this bond shall be paid by wire transfer to a financial institution designated by the Authority on the due date of such payment or, if such date is a day when financial institutions are not open for business, on the business day immediately preceding such due date. So long as the Authority is the registered owner of this bond, this bond shall be presented for payment as directed by the Authority.]

[So long as the Authority is the registered owner of this bond, it is understood that the principal hereof shall not be payable and interest hereon shall not accrue until such principal amount has been advanced pursuant to a request made by the City to the Authority.]

This bond and the other bonds of this issue, together with the interest payable hereon and thereon, are payable solely from and secured by an irrevocable pledge of and constitute a first charge upon all of the Net Revenues (herein defined as the gross revenues of the waterworks of the City after deduction only for the payment of the reasonable expenses of operation and maintenance), derived from the waterworks of the City, including the existing works, the improvements and extensions acquired or constructed out of the proceeds of this bond and the issue of which it is a part, and all additions and improvements thereto subsequently acquired or constructed. This bond and the other bonds of this issue rank on a parity basis with the Prior Bonds, as defined in the Ordinance. The City shall not be obligated to pay the principal of or interest on this bond except from the special fund, entitled the "Waterworks Sinking Fund" (heretofore created by ordinance of the City and continued under the Ordinance as hereinafter described), provided from the Net Revenues of such waterworks, and neither this bond nor any of the bonds of the issue of which this bond is a part shall constitute an indebtedness of the City within the meaning of the provisions and limitations of the constitution of the State of Indiana.

This bond is one of an authorized issue of bonds of the City of Bloomington, Indiana, of like tenor and effect, except as to series, numbering, interest rate and date of maturity, in the aggregate principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) numbered from \_\_\_R-1 upward, issued for the purpose of providing funds to pay the cost of certain improvements and extensions to the waterworks of the City (the "Waterworks"), [and to refund notes issued in anticipation of the bonds,] and all expenses necessarily incurred in connection with the issuance of such bonds, as authorized by an ordinance adopted by the Common Council of the City on the \_\_\_\_\_ day of \_\_\_\_\_, 2016, entitled "An Ordinance of the Common Council of the City of Bloomington, Indiana, Authorizing the Acquisition, Construction, Installation and Equipping by the City of Bloomington, Indiana, of Certain Improvements and Extensions to the City's Waterworks, the Issuance and Sale of Revenue Bonds to Provide Funds for the Payment of the Costs Thereof, the Issuance and Sale of Bond Anticipation Notes in Anticipation of the Issuance and Sale of Such Bonds, and the Collection, Segregation and Distribution of the Revenues of Such Waterworks and Other Related Matters" (the "Ordinance"), and in strict compliance with the provisions of Indiana Code, Title 8, Article 1.5, and the laws amendatory thereof and supplemental thereto (the "Act").

Reference is hereby made to the Ordinance for a description of the nature and extent of the rights, duties and obligations of the owner of the bonds and the City and the terms on which this bond is issued, and to all the provisions of the Ordinance to which the owner hereof by the acceptance of this bond assents. [Reference is hereby made to the Financial Assistance Agreement between the City and the Authority as to certain terms and covenants pertaining to the sewage works project and this bond (the "Financial Assistance Agreement").]

This bond is issuable only in fully registered form in the denomination of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) or any integral multiple thereof not exceeding the aggregate principal amount of the bonds of this issue maturing in any one year[unless this bond is of a series of bonds sold to the Authority, in which case it may be of such denomination as directed].

Pursuant to the provisions of the Act and the Ordinance, the principal of and interest on this bond and all other bonds of this issue, together with the Prior Bonds and any bonds hereafter issued on a parity herewith and therewith, are secured by and are payable solely from the Waterworks Sinking Fund heretofore created, and continued by the Ordinance, to be provided from the Net Revenues derived from the Waterworks, including the existing works, the improvements and extensions acquired or constructed out of the proceeds of this bond and the issue of which it is a part, and all additions and improvements thereto and replacements thereof subsequently constructed and acquired. This bond does not and shall not constitute an indebtedness of the City within the meaning of the provisions and limitations of the constitution of the State of Indiana, and the City is not and shall not be obligated to pay this bond or the interest thereon except from such special fund provided from such Net Revenues.

The City irrevocably pledges the entire Net Revenues of the Waterworks, to the extent necessary for such purposes, to the prompt payment of the principal of and interest on the bonds of this issue authorized pursuant to the Ordinance, including this bond, the Prior Bonds and any

bonds hereafter issued on a parity herewith and therewith. The City covenants that it will to the fullest extent permitted by law cause to be fixed, maintained and collected such rates and charges for services rendered by such works as are sufficient in each year for the payment of the proper and reasonable expenses of operation and maintenance of said works, to comply with and satisfy all covenants contained in the Ordinance [and the Financial Assistance Agreement], and for the payment of the sums required to be paid into said Sinking Fund under the provisions of said Act and said Ordinance. In the event the City, or the proper officers thereof, shall fail or refuse to so fix, maintain and collect such rates or charges, or if there be a default in the payment of the principal of or interest on this bond, the Registered Owner of this bond shall have all of the rights and remedies provided for under Indiana law.

The City further covenants that it will set aside and pay into its Waterworks Sinking Fund a sufficient amount of the Net Revenues of the Waterworks to meet (a) the interest on all bonds payable from the revenues of the Waterworks, as such interest shall fall due, (b) the necessary fiscal agency charges for paying all bonds and interest, (c) the principal of all bonds payable from the revenues of the Waterworks, and (d) an additional amount as a margin of safety to create the reserve required by the Ordinance.

The City reserves the right pursuant to the terms and conditions of the Ordinance to authorize and issue additional bonds hereafter payable out of the Net Revenues of the Waterworks, ranking on a parity herewith or junior hereto for the purpose of financing future extensions and improvements to the Waterworks or to refund outstanding waterworks revenue bonds.

The bonds of this issue maturing on or after \_\_\_\_\_ 1, 20\_\_ are subject to redemption prior to maturity, at the option of the City, in whole or in part (and if in part, only in authorized denominations and in order of maturity determined by the City and by lot within any such maturity or maturities in such manner as may be designated by the Registrar), on any date on or after \_\_\_\_\_ 1, 20\_\_, at a redemption price equal to one hundred percent (100%) of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest on the bonds so redeemed to the redemption date, and with the following premium: \_\_\_\_\_ [(provided, however, if the bonds are sold to the SRF Program (as defined in the Ordinance) and registered in the name of the Authority, such bonds shall not be redeemable at the option of the City unless and until consented by the Authority)].

Notice of any such redemption shall be sent by registered or certified mail to the Registered Owner of this bond at least [thirty (30)][sixty (60)] days prior to the date fixed for redemption, unless such notice is waived by the Registered Owner. The notice shall specify the redemption price, the date and place of redemption, and the registration numbers (and in case of partial redemption, the respective principal amounts) of the bonds called for redemption. Interest on bonds so called for redemption shall cease to accrue on the redemption date fixed in such notice, so long as sufficient funds are available at the place of redemption to pay the redemption price on the redemption date or when presented for payment.

If this bond or a portion hereof shall have become due and payable in accordance with its terms or this bond or a portion hereof shall have been duly called for redemption or irrevocable instructions to call this bond or a portion hereof for redemption shall be given and the whole amount of the principal and the premium, if any, and interest, so due and payable upon this bond or such portion hereof shall be paid, or (i) sufficient moneys, or (ii) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, the principal of and the interest on which when due will provide sufficient moneys for such purpose, or (iii) time certificates of deposit of a bank or banks, fully secured as to both principal and interest by obligations of the kind described in (ii) above, the principal of and interest on which when due will provide sufficient moneys for such purpose, shall be held in trust for such purpose, and provision shall also be made for paying all fees and expenses for the redemption, then and in that case this bond or such portion hereof shall no longer be deemed outstanding, entitled to the pledge of the Net Revenues of the Waterworks or an obligation of the City.

If this bond shall not be presented for payment or redemption on the date fixed therefor, the City may deposit in trust with the Paying Agent an amount sufficient to pay such bond or the redemption price, as appropriate, and thereafter the Registered Owner shall look only to the funds so deposited in trust with the Paying Agent for payment, and the City shall have no further obligation or liability with respect thereto.

Subject to the provisions of the Ordinance regarding the registration of such bonds, this bond and all other bonds of this issue of which this bond is a part are fully negotiable instruments under the laws of the State of Indiana. This bond is transferable or exchangeable only on the books of the City maintained for such purpose at the principal office of the Registrar, by the Registered Owner hereof in person, or by his attorney duly authorized in writing, upon surrender of this bond together with a written instrument of transfer or exchange satisfactory to the Registrar duly executed by the Registered Owner or his attorney duly authorized in writing, and thereupon a new fully registered bond or bonds in the same aggregate principal amount and of the same maturity shall be executed and delivered in the name of the transferee or transferees or the Registered Owner, as the case may be, in exchange therefor. This bond may be transferred or exchanged without cost to the Registered Owner or his attorney duly authorized in writing, except for any tax or other governmental charge which may be required to be paid with respect to such transfer or exchange. The Registrar shall not be obligated to make any exchange or transfer of this bond (i) during the fifteen (15) days immediately preceding an interest payment date on this bond or (ii) after the mailing of any notice calling this bond for redemption. The City, the Registrar and any Paying Agent for this bond may treat and consider the person in whose name this bond is registered as the absolute owner hereof for all purposes including for the purpose of receiving payment of, or on account of, the principal hereof and the redemption premium, if any, and interest due hereon.

In the event this bond is mutilated, lost, stolen or destroyed, the City may cause to be executed and the Registrar may authenticate a new bond of like date, maturity and denomination as this bond, which new bond shall be marked in a manner to distinguish it from this bond; provided, that in the case of this bond being mutilated, this bond shall first be surrendered to the Registrar, and in the case of this bond being lost, stolen or destroyed, there shall first be furnished to the Registrar evidence of such loss, theft or destruction satisfactory to the City and to the Registrar, together with indemnity satisfactory to them. In the event that this bond, being mutilated, lost, stolen or destroyed, shall have matured or been called for redemption, instead of causing to be issued a duplicate bond the Registrar may pay this bond upon surrender of this mutilated bond or upon satisfactory indemnity and proof of loss, theft or destruction in the event this bond is lost, stolen or destroyed. In such event, the City and the Registrar may charge the owner of this bond with their reasonable fees and expenses in connection with the above. Every substitute bond issued by reason of this bond being lost, stolen or destroyed shall, with respect to this bond, constitute a substitute contractual obligation of the City, whether or not this bond, being lost, stolen or destroyed shall be found at any time, and shall be entitled to all the benefits of the Ordinance, equally and proportionately with any and all other bonds duly issued thereunder.

In the manner provided in the Ordinance, the Ordinance and the rights and obligations of the City and the owners of the bonds of this issue authorized thereunder, including this bond, may (with certain exceptions as stated in the Ordinance) be modified or amended with the consent of the owners of at least sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of such bonds exclusive of any such bonds which may be owned by the City.

The Registered Owner of this bond, by the acceptance hereof, hereby agrees to all the terms and provisions contained in the Ordinance.

The City, the Registrar and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and the interest due hereon and for all other purposes, and none of the City, the Registrar or the Paying Agent shall be affected by any notice to the contrary.

This bond shall not be valid or become obligatory for any purpose or entitled to any security or benefit under the Ordinance herein described unless and until the certificate of authentication hereon shall have been executed by a duly authorized representative of the Registrar.

The City hereby certifies, recites and declares that all acts, conditions and things required to be done precedent to and in the preparation, execution, issuance and delivery of this bond have been done and performed in regular and due form as required by law.

IN WITNESS WHEREOF, the City of Bloomington, in Monroe County, State of Indiana, has caused this bond to be executed in its corporate name and on its behalf by the manual or facsimile signature of its Mayor and its corporate seal to be hereunto affixed or impressed by any means and attested by the manual or facsimile signature of its Clerk.

CITY OF BLOOMINGTON, INDIANA

By: \_\_\_\_\_

Mayor

(Seal of the City)

ATTEST:

\_\_\_\_\_

City Clerk

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This bond is one of the City of Bloomington, Indiana, Waterworks Revenue Bonds of 20\_\_\_\_, issued and delivered pursuant to the provisions of the within-mentioned Ordinance.

\_\_\_\_\_  
By: \_\_\_\_\_  
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (insert name and address) the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for the registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
NOTICE: The signature to this assignment must correspond with the name as it appears on the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a Security Transfer Association recognized signature guarantee program.

[SCHEDULE A

PRINCIPAL PAYMENT SCHEDULE]

[End of Bond Form]