

**OFFICIAL STATEMENT DATED JULY 9, 2018**

**NEW ISSUE-BOOK ENTRY ONLY  
BANK-QUALIFIED**

**NON RATED**

In the opinion of Bond Counsel, the interest on the Bonds is, under existing law and regulations, exempt from all present federal income taxes, assuming continuing compliance by the Authority with covenants to meet the requirements of the Internal Revenue Code of 1986, as amended, except that certain corporations may be subject to a minimum tax determined by including the interest on the Bonds as income in computing such tax. The Bonds have been designated by the Authority as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. Additionally, in the opinion of Bond Counsel, the interest on the Bonds is exempt from present State of Oklahoma income taxes.

**\$770,000**

**THE KELLYVILLE PUBLIC WORKS AUTHORITY  
Utility System Refunding Revenue Bonds  
Series 2018**

**Dated: Date of Delivery**

**Due: December 1, as shown below**

The Kellyville Public Works Authority (the "Authority") Utility System Refunding Revenue Bonds, Series 2018 (the "Bonds") are being issued by the Authority, a public trust created and existing under the laws of the State of Oklahoma, particularly but not exclusively Title 60, Oklahoma Statutes 2017 Supplement, Sections 176-180.3, inclusive, by which laws the Trustees of the Authority are designated as an agency of the State of Oklahoma and regularly constituted authorities of the Beneficiary, the Town of Kellyville, Oklahoma. **The Bonds do not constitute obligations or debts of the Town of Kellyville, Oklahoma, nor of the State of Oklahoma, nor personal obligations of the Trustees of the Authority but are limited and special obligations payable solely out of revenues pledged for their payment as outlined in the paragraph entitled Security. The Authority has no taxing power.**

Interest on the Bonds accrues from the initial date of delivery to the underwriter named below, and is payable each June 1 and December 1 beginning December 1, 2018. UMB Bank, N.A., Oklahoma City, Oklahoma, (the "Bank"), is the Trustee Bank and Registrar for the issue. The Bonds will be issued and registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"), to which all payments of principal and interest will be made. Purchasers will acquire beneficial interests in the Bonds, in principal amounts of \$5,000 and integral multiples thereof, by book-entry only. Purchasers of the Bonds will not receive physical delivery of bond certificates. The Bonds will not be transferable or exchangeable, except for transfers to another nominee of DTC or otherwise as described herein. See "BOOK-ENTRY-ONLY-SYSTEM" herein.

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to final maturity, as described herein.

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Maturities, Interest Rates and Prices - See Inside Cover

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The Bonds are offered when, as and if issued and received by the original purchaser, subject to prior sale, to withdrawal or modifications of the offer without any notice, and to the approval of legality of the Bonds by Johanning and Byrom, P.C., Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about August 1, 2018.

**Wells Nelson & Associates, LLC  
Underwriter**

## MATURITY SCHEDULE

### Utility System Refunding Revenue Bonds Series 2018

**\$770,000**

#### TERM BONDS

\$ 160,000	3.25%	Term Bonds Maturing December 1, 2023 – Price 100.00%	CUSIP 48815N AD5
\$ 185,000	3.50%	Term Bonds Maturing December 1, 2028 – Price 100.00%	CUSIP 48815N AE3
\$ 215,000	3.80%	Term Bonds Maturing December 1, 2033 – Price 100.00%	CUSIP 48815N AF0
\$ 210,000	4.20%	Term Bonds Maturing December 1, 2037 – Price 100.00%	CUSIP 48815N AG8

*(1) CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of McGraw-Hill Companies, Inc., and are included solely for the convenience of the owners of the Bonds. Neither the Authority nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.*

*Redemption: The Bonds maturing on and after December 1, 2026, are subject to redemption at the option of the Authority, in whole or in part, in inverse order of maturity, by lot within a maturity, on any date on or after December 1, 2025, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium. See "THE SERIES 2018 BONDS, Redemption of the Series 2018 Bonds" herein.*

# **THE KELLYVILLE PUBLIC WORKS AUTHORITY**

## **TRUSTEES**

Jim Vogt	Chairman
Marcia Jones	Trustee
Jerry Bussett	Trustee
Bobby McGarrah	Trustee
Michelle Kelly	Trustee

## **MAYOR AND BOARD OF TRUSTEES OF THE TOWN OF KELLYVILLE**

Jim Vogt	Mayor
Marcia Jones	Trustee
Jerry Bussett	Trustee
Bobby McGarrah	Trustee
Michelle Kelly	Trustee

## **OTHER MUNICIPAL OFFICIALS**

Mike Kelly	Town Administrator
Beverly Lucas	Town Clerk
John M. Dunn	Attorney

## **BOND COUNSEL**

Johanning and Byrom, P.C.  
Oklahoma City, Oklahoma

## **UNDERWRITER**

Wells Nelson & Associates, L.L.C.  
Oklahoma City, Oklahoma

## **REGARDING USE OF THE PRELIMINARY OFFICIAL STATEMENT**

The Bonds are offered only by means of this Preliminary Official Statement. This Preliminary Official Statement does not constitute an offering of any security other than the Bonds specifically offered hereby. It does not constitute an offer to sell or a solicitation of an offer to buy the Bonds in any state or jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale, and no dealer, broker, salesman or other person has been authorized to make such unlawful offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Preliminary Official Statement in connection with the offering of the Bonds and, if given or made, such other information or representations must not be relied upon.

The Bonds will not be registered under the Securities Act of 1933, as amended, and the Authority and the Underwriter of the Bonds do not intend to list the Bonds on any stock or other securities exchange. The United States Securities and Exchange Commission has not passed upon the accuracy or adequacy of this Preliminary Official Statement. With respect to the various States in which the Bonds may be offered, no attorney general, state official, state agency or bureau, or other state or local governmental entity has passed upon the accuracy or adequacy of this Preliminary Official Statement or passed on or endorsed the merits of this offering of Bonds.

All references made herein to the Bonds are qualified in their entirety by reference to the Indenture. All references made herein to the Indenture are qualified in their entirety by reference to such complete documents, original counterparts of which are on file in the offices of the Authority located 410 E. Buffalo, Kellyville, Oklahoma, 74039, and the Underwriter, 211 N. Robinson, Two Leadership Square, Suite 1600, Oklahoma City, Oklahoma, 73102, (405) 239-9000.

The information contained in this Preliminary Official Statement, including the cover page and Exhibits hereto, has been obtained from the Authority and the City and other sources which are deemed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information and nothing contained in this Preliminary Official Statement is or shall be relied upon as a promise or representation by the Underwriter. This Preliminary Official Statement is submitted in connection with the sale of securities as referred to herein and may not be reproduced or used in whole or in part for any other purpose. The delivery of this Preliminary Official Statement does not at any time imply that information herein is correct as of any time subsequent to its date.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND CERTAIN DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.**

# OFFICIAL STATEMENT

## Table of Contents

### Page

The Authority .....	1
Trustees .....	1
Purpose of Issue .....	2
Tax Exemption.....	2
Required Rebate to the United States .....	3
Source and Application of Proceeds .....	4
Plan of Finance .....	4
Redemption Provisions .....	4
Book Entry Only System.....	6
Security .....	8
Risks of Bondholders .....	8
Rate Covenant.....	9
Comparative Net Revenue .....	11
The Depository .....	12
The Trustee Bank.....	12
The Registrar.....	12
Flow of Funds .....	12
Additional Bonds .....	13
Bond Covenants .....	14
Defeasance .....	16
Defaults and Remedies .....	16
Legal Matters .....	17
No Litigation.....	17
Underwriting .....	17
Continuing Disclosure .....	17
Miscellaneous .....	20
Approval of Official Statement.....	21

### Exhibits

- A Debt Service Schedule
- B Economic Indices
- C Utility Rates
- D Town of Kellyville, Oklahoma, Audited Financial Statements  
Fiscal Year Ending June 30, 2017
- E Lease
- F Opinion of Bond Counsel
- G Continuing Disclosure Agreement

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## THE AUTHORITY

The Kellyville Public Works Authority, a public trust, herein called the "Authority", is a statutory instrumentality of the Town of Kellyville, Oklahoma (the "Town" or "Beneficiary"), and an agency of the State of Oklahoma. The Authority was created under provisions of the Oklahoma Statutes by a Declaration of Trust, dated September 12, 1973 and, as amended, April 1, 2003, to furnish the Beneficiary with services and facilities for the conservation and implementation of the public welfare and for the protection and promotion of public health and for other purposes proper for the Town itself to furnish. The Town of Kellyville is the sole beneficiary of the Authority and receives all net income not needed for Authority purposes. The Town, pursuant to a Lease dated October 1, 1981, has leased to the Authority the entire sanitary sewer system and the Authority also operates the Town's garbage system (collectively the "Systems"). The Authority is offering as security the net revenues of the entire sanitary sewer and garbage systems (the "Trust Estate") and is empowered by the Trust Indenture to acquire, construct, maintain and operate the aforesaid facilities for the Town, and borrow money by mortgage, pledge, or other encumbrance of the Trust Estate or its revenues including the issuance of bonds or notes. All properties held by the Authority for the benefit of the Town of Kellyville will become the property of the Town when the Authority's debts are extinguished. The Authority has the same duration as the Beneficiary, or until its purposes shall have been fulfilled, or until it shall have been terminated by mutual agreement and with the consent of the owners of any outstanding indebtedness. The validity of Trusts of the nature of the Authority has been approved by the Supreme Court of the State of Oklahoma. The Authority has no taxing power.

## TRUSTEES

The Trustees of the Authority are the same persons who are currently the members of the Town Board of Trustees of the Town of Kellyville and as such, they continue to hold office until their successors are elected to the governing board of the Town of Kellyville, and qualify for office. The Mayor of the Town is the Chairman of the Trustees of the Authority; the Town Clerk is the Secretary of the Trustees. Present Trustees and employees of the Authority are:

<u>Name</u>	<u>Trustee</u>
Jim Vogt	Chairman
Marcia Jones	Trustee
Jerry Bussett	Trustee
Bobby McGarrah	Trustee
Michelle Kelly	Trustee
<u>Staff Members</u>	<u>Position</u>
Mike Kelly	Town Administrator
Beverly Lucas	Town Clerk
John M. Dunn	Attorney

## **PURPOSE OF ISSUE**

\$770,000 Utility System Refunding Revenue Bonds, Series 2018 (the "Bonds") of the Authority, will be issued for the purpose of i) currently refunding their Utility System Refunding and Capital Improvement Revenue Bonds, Series 2007 (the "Refunded Obligations"); and ii) paying all costs of issuance.

## **TAX EXEMPTION**

In the opinion of Bond Counsel, assuming continued compliance by the Authority and the Bank with the terms of the Indenture, under existing statutes, regulations, rulings and judicial decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to the issuance of the Bonds in order for the interest thereon to be and remain exempt from federal income taxation. Non-compliance with such requirements could cause the interest on the Bonds to become taxable retroactive to the date of issue of the Bonds. These requirements include, but are not limited to, limitations on the use of Bond proceeds, restrictions on the yield which may be earned on the investment of Bond proceeds and other amounts, and the obligation to rebate certain investment earnings to the United States Treasury. In the Indenture, the Authority has covenanted to comply with the provisions of the Code relating to the exemption from federal income taxation of the interest on the Bonds.

For taxable years beginning after December 31, 1986, the Code imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation (less an exemption amount), if the amount of such tax is greater than the corporation's regular income tax for the taxable year.

Generally, the alternative minimum taxable income of any corporation for any taxable year beginning after 1986 must be increased by 75% of the amount (if any) by which the adjusted current earnings of the corporation exceeds such corporation's alternative minimum taxable income for the taxable year (determined without regard to this adjustment and the alternative tax net operating loss deduction). Because the interest on the Bonds will be included in the calculation of adjusted net book income and adjusted current earnings, interest on the Bonds may be subject to the alternative minimum tax and the environmental tax when the Bonds are held by corporations.

Except as described in the preceding paragraphs, interest on the Bonds is not subject to the alternative minimum tax imposed on individuals and corporations under the Code.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, for taxable years beginning after December 31, 1986, Section 832 (b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (ii) for taxable years beginning after



December 31, 1986 interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds. These categories of Bondowners should consult their own tax advisors as to the applicability of these consequences.

**The Authority will issue a certificate upon delivery of the Bonds to the effect that the Bonds are governmental purpose bonds and are designated as "qualified tax-exempt obligations" for the purpose of allocation of interest expense of financial institutions pursuant to Section 265 of the Code.**

### **REQUIRED REBATE TO THE UNITED STATES**

The Authority in the Bond Indenture has covenanted to comply and the Bank is empowered to take any and all actions necessary to comply with all of the provisions of the Internal Revenue Code of 1986, as amended, relating to the exemption from federal income taxes of the interest paid upon the bonds authorized by the Bond Indenture, including the Bonds, to the end that interest thereon shall remain exempt from federal income taxation.

The Internal Revenue Code of 1986, as amended, provides that bonds which are part of an issue, including the Bonds, will be treated as arbitrage bonds if certain hereinafter described requirements are not met with respect to such issue.

Under the Internal Revenue Code of 1986, as amended, an issuer, including the Authority, is required to make certain payments or rebates to the United States in an amount equal to the sum of the excess of the amount of money earned on all non-purpose investments, over the amount of money which would have been earned if such non-purpose investments were invested at a rate of interest equal to the yield on the issue, including the Bonds, plus any income derived from the aforesaid excess itself. The aforesaid payments or rebates are to be paid in installments which are required to be made at least once every five years and each such installment is required to be in an amount which ensures that 90 percent of the excess amount (referred to above) with respect to the issue, at the time payment of such installment is required, will have been paid to the United States. The final installment is required to be paid no later than 60 days after the final maturity of the Bonds, and shall be in an amount sufficient to pay the remaining balance of the excess amount (referred to above) with respect to such issue.

The failure of the Authority to abide by its covenants to comply with the Internal Revenue Code of 1986, as amended, including the failure to timely pay or rebate any and all excess earnings in the manner provided in the Internal Revenue Code of 1986, as amended, will result in an immediate default under the Bond Indenture. In the event of such a default the Bank is required to immediately accelerate payment of all of the Bonds then outstanding and declare the entire principal amount of the Bonds immediately due and payable by the Authority in the said principal amount then outstanding.

## SOURCE AND APPLICATION OF PROCEEDS

Bond Proceeds	\$	770,000.00	Refunding Prior Indebtedness	\$	807,737.50
Prior Debt Service Funds		20,718.77	Costs of Issuance		29,338.78
Prior Debt Service Reserve		65,607.51	Underwriter's Discount		19,250.00
Total Sources	\$	856,326.28	Total Application	\$	856,326.28

## PLAN OF FINANCE

The Authority is issuing the Bonds in order to provide funds for the purpose of i) currently refunding their Utility System Refunding and Capital Improvement Revenue Bonds, Series 2007 (the "Refunded Obligations"); and ii) paying all costs of issuance.

## REDEMPTION PROVISIONS

The Bonds are subject to redemption prior to maturity only as described in this section of the Official Statement.

- A. **Mandatory Redemption** - Bonds maturing December 1, 2023, are subject to mandatory sinking fund redemption and payment prior to maturity on December 1, 2018, and on each December 1, thereafter through December 1, 2023, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, as follows:

<u>Mandatory Redemption Dates</u>	<u>Principal</u>
December 1, 2018	\$ 10,000
December 1, 2019	\$ 30,000
December 1, 2020	\$ 30,000
December 1, 2021	\$ 30,000
December 1, 2022	\$ 30,000
December 1, 2023	\$ 30,000

Bonds maturing December 1, 2028, are subject to mandatory sinking fund redemption and payment prior to maturity on December 1, 2024, and on each December 1, thereafter through December 1, 2028, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, as follows:

<u>Mandatory Redemption Dates</u>	<u>Principal</u>
December 1, 2024	\$ 35,000
December 1, 2025	\$ 35,000
December 1, 2026	\$ 35,000
December 1, 2027	\$ 40,000
December 1, 2028	\$ 40,000

Bonds maturing December 1, 2033, are subject to mandatory sinking fund redemption and payment prior to maturity on December 1, 2029, and on each December 1, thereafter through December 1, 2033, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, as follows:

<u>Mandatory Redemption Dates</u>	<u>Principal</u>
December 1, 2029	\$ 40,000
December 1, 2030	\$ 40,000
December 1, 2031	\$ 45,000
December 1, 2032	\$ 45,000
December 1, 2033	\$ 45,000

Bonds maturing December 1, 2037, are subject to mandatory sinking fund redemption and payment prior to maturity on December 1, 2034, and on each December 1, thereafter through December 1, 2037, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, as follows:

<u>Mandatory Redemption Dates</u>	<u>Principal</u>
December 1, 2034	\$ 50,000
December 1, 2035	\$ 50,000
December 1, 2036	\$ 55,000
December 1, 2037	\$ 55,000

- B. Optional Redemption** - The Bonds maturing December 1, 2026 and thereafter shall be subject to redemption prior to maturity at the option of the Authority, on at least thirty (30) days notice (to be provided in the manner hereafter stated), at any time, on and after December 1, 2025, at par plus accrued interest.

- C. **Notice and Effect of Redemption** - Notice of any call for redemption will be given by the Trustee Bank, identifying the Bonds to be redeemed, not less than thirty (30) days prior to the redemption date by notice sent by first class mail to the holder or holders of the bond or bonds to be redeemed, directed to the address shown on the registration books. No further interest will accrue on the principal of any Bonds called for redemption from and after the date fixed for redemption if payment of the redemption price thereof has been duly provided for.

### **BOOK-ENTRY-ONLY-SYSTEM**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds (also referred herein as the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Security certificate will be issued for the Securities in the aggregate principal amount of such issue and will be deposited with DTC at the office of the Trustee on behalf of DTC utilizing the DTC FAST System of registration.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the United States Securities and Exchange Commission.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 transactions, 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 Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities are discontinued.

To facilitate subsequent transfers, all Securities deposited by Participants with DTC (or the Trustee on behalf of DTC utilizing the DTC FAST System of registration) are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose account such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal and interest payments on the Securities will be made by the Bank to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in 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 Participants and not of DTC, Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or Agent, disbursement of such payments to Direct Participant shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Agent's DTC account.

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

The Authority may decide to discontinue use of the system of book-entry transfer through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered. In reading this Preliminary Official Statement it should be understood that while the Securities are in the Book-Entry-Only System, references in other sections of this Preliminary Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Securities, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Indenture will be given only to DTC. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

## **SECURITY**

The Bonds will be equally secured by a pledge of the Net Revenues, as hereinafter defined, of the Trust Estate. A copy of the Lease is attached as Exhibit E and should be read in full.

Net Revenues of the Trust Estate are defined as all revenues derived from the Trust Estate, together with the proceeds of an annually appropriated sixty percent (60%) of one and one half percent (1.5%) excise tax collection pursuant to Sales Tax Ordinance No. 2001-01, with an extension of the excise tax approved on November 8, 2011, to continue without expiration and paid over to the Authority per the Sales Tax Agreement dated June 1, 2018. The aforesaid sixty percent (60%) of the one and one half percent (1.5%) excise tax will be in effect until the Bonds are no longer outstanding. Average annual debt service charges are defined as all charges for payment of principal of and interest on the Bonds, due and payable from their date of issue up to, and including, payment of the final maturity of that issue, divided by the number of years elapsed during that period

## **RISKS OF BONDHOLDERS**

As reflected herein, the Bonds are limited and special obligations of the Authority payable from the revenues received by the Authority from the operations and existence of the Systems and from sales tax revenues, if any, received by the Authority from the Town. The ability of the Authority to generate sufficient revenues from operating the Systems and sales tax revenue appropriated by the Town, if any, to pay (i) the debt service requirements on the Bonds; (ii) the costs of operating and maintaining the Systems; and (iii) any other monies required to meet any other lawful needs of the Authority, will depend, in part, upon the ability of the Authority to operate and maintain the Systems at a reasonable cost. See "Security" above. If the Authority should be unable to operate and maintain the Systems, the Authority would have to attempt to contract with another party for the operation of the Systems. Any failure to operate and maintain the Systems, or cause the Systems to be operated and maintained, will

result in a reduction or elimination of the revenues of the Authority and could result in the inability of the Authority to pay the debt service requirements on the Bonds.

Furthermore, any reduction in the demand for the services of the Systems, any increases in the costs of operating and maintaining the Systems, any new technology which could render the services of the Systems obsolete and unneeded, and any other similar changes could have a negative impact on the ability of the Authority to pay the debt service requirements of the Bonds. If the Authority shall be unable in the future to raise rates, fees and charges for services of the Systems, or cause such to be raised, the Authority may be unable to generate sufficient revenues to provide the monies described above.

Since the Oklahoma Constitution allows only for a pledge of the funds derived from the collection of a sales tax on a year to year basis, the sales tax revenues shall be committed to the Authority on a year to year basis, subject to the annual appropriation of such monies by the Town. If the Town should decide not to appropriate such monies or should the Town take action to eliminate the pledge or should the voters rescind the right of the Town to levy and collect any sales tax revenues, and if the Authority shall be unable in the future to raise rates, fees and charges for services of the Systems or cause such to be raised, the Authority may be unable to pay the debt service requirements of the Bonds. The right of the Town to levy and collect any sales tax revenues is provided in the statutes of the State of Oklahoma. The legislature has the ability to rescind the right of the Town to levy and collect any sales tax revenues. If the Authority should not receive any sales tax revenues or if such collections should decline due to economic conditions, it could inhibit the ability of the Authority to pay the debt service requirements of the Bonds.

## **RATE COVENANT**

The Authority has covenanted to adopt a schedule of rates and charges for sanitary sewer and garbage services sufficient, together with appropriated sales tax proceeds, if any, actually paid over to the Authority, to provide Net Revenues, as hereinafter defined, equal to 1.25 times average annual debt service charges for Bonds and all indebtedness equally secured with them. Any appropriation of sales tax in whatever amount by the Town to the Authority and any investment income of the Authority shall be treated as income of the Trust Estate and expenditures by the Town itself to pay costs of operation and maintenance of the Trust Estate shall be deducted from the costs of operation and maintenance of the Trust Estate in calculating the Net Revenues (the "Net Revenues") of the Trust Estate. In the event no such appropriation or expenditure is made or is insufficient in amount, then the Authority must immediately revise its rate schedules to remedy any resultant deficiency in its revenues so that its net revenues shall at all times be equal to 1.25 times average annual debt service charges. The purpose of these provisions is to permit charges for the sanitary sewer and garbage services rendered to the people of Kellyville to be held at a minimum so long as the Town makes appropriations to and pays the money so appropriated to the Authority.

Since no Town Board of Trustees can bind itself nor be bound by an act either of its predecessors or by the terms of the election authorizing a sales tax levy to make any such appropriation, the members of the Authority whose membership is identical with that of the Town Board of Trustees, have pledged that in the event that the Town Board of Trustees fails to make the appropriation or for

any reason, amounts so appropriated are not paid over to the Authority or are insufficient in amount, the members of the Authority, in their capacity as Authority Trustees, will immediately increase rates, charges, and fees for services rendered by the Trust Estate in that amount which will produce net revenues equal to 1.25 times average annual debt service charges for Bonds and all bonds equally secured with them.

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## COMPARATIVE NET REVENUE

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues			
Wastewater	\$ 119,888	\$ 111,452	\$ 111,427
Sanitation	99,091	100,077	100,547
Penalty	7,469	7,191	7,273
Sewer Tap	-	2,965	3,000
Other	976	558	221
<b>Total Operating Revenues</b>	<b>\$ 227,424</b>	<b>\$ 222,243</b>	<b>\$ 222,468</b>
*Operating Expenses	\$ 134,913	\$ 127,459	\$ 132,893
Net Income	\$ 92,511	\$ 94,784	\$ 89,575
Non Operating Revenue (Expenses)			
Interest Income	\$ 119	\$ 268	\$ 541
<b>Total Non Operating Revenue (Expenses)</b>	<b>\$ 119</b>	<b>\$ 268</b>	<b>\$ 541</b>
Sales Tax 6/10th of 1.5 Cents	\$ 62,370	\$ 68,117	\$ 71,765
Funds Available for Debt Service	\$ 155,000	\$ 163,169	\$ 161,881
Series 2018 Average Annual Debt Service	\$ 57,289	\$ 57,289	\$ 57,289
Coverage	2.71	2.85	2.83
*Less Depreciation			

Note: The Comparative Revenue and Expenditures Statements are based upon the Town of Kellyville's certified audits.

A copy of the audit for the Town of Kellyville for the fiscal year ending June 30, 2017, prepared by Ralph Osborn, CPA, Bristow, Oklahoma, is included and should be read in full. Copies of previous audits are available upon request from Wells Nelson & Associates, LLC or the Authority.

## THE DEPOSITORY

The Authority is from time to time to designate a bank or banks, preferably in Kellyville, Oklahoma, which shall act as Depository for The Kellyville Public Works Authority Gross Revenue Account and Bond Account, and from which withdrawals are to be made as stipulated in the section "Flow of Funds" which follows.

## THE TRUSTEE BANK

The Bank will act as Trustee for the holders of the Bonds, and is to hold the Bond Indenture securing the Bonds, and perform such other duties as have or may be agreed upon and as are outlined briefly in the paragraphs that follow and fully in the Bond Indenture.

## THE REGISTRAR

The Bank will act as Registrar for this issue and will register ownership and transfer of the Bonds on books kept for that purpose and act as paying agent on behalf of the Authority. Interest shall be paid by check or draft mailed by the Registrar to bondholders of record on the Record Date, which is the 15th day of the month next preceding each interest payment date, whether or not such date is a business day.

## FLOW OF FUNDS

- I. **BOND PROCEEDS:** A portion of the proceeds of the Bonds will be deposited in the Bank in The Kellyville Public Works Authority Series 2018 Redemption Fund, created to retire the Refunded Obligations prior to maturity, except that accrued interest will be deposited directly into The Kellyville Public Works Authority Sinking Fund, described in paragraph III following, and to pay all fees and expenses for services in connection with the issuance of the Bonds shall be paid to the persons entitled thereto.
  
- II. **AUTHORITY REVENUES:** The Depository Bank shall receive daily all money received from the Trust Estate into an account known as The Kellyville Public Works Authority Gross Revenue Account and hereafter called the "Gross Revenue Account". The Authority has the sole authority to withdraw money from the Gross Revenue Account. From the Gross Revenue Account there is to be paid in the following order:
  - A. Costs and expenses of and incidental to the operation and ordinary maintenance of the Trust Estate, including but not limited to payments due under any contract for the operation and maintenance of the Systems, the necessary costs and expenses of and incidental to the collection of revenues of the Trust Estate and fees and expenses of the Bank and Registrar.

- B. The sums required for payment of principal of and interest on the Bonds are to be deposited in The Kellyville Public Works Authority Series 2018 Bond Account, to be held by the Depository but with the sole right of withdrawal from the Series 2018 Bond Account vested in the Bank. Series 2018 Bond account deposits are to be made monthly and in as nearly equal amounts as may be practicable.
- C. The remainder is to be used for any proper purpose of the Authority, including, but not limited to, purchase of any Bonds or any other equally secured indebtedness on the open market, redemption of bonds of this or equally secured debt prior to maturity, or payments to or for the Beneficiary.

All deposits made by the Authority must be in banks the accounts of which are insured by the Federal Deposit Insurance Corporation (the "F.D.I.C.") and any deposit in excess of that amount insured by the F.D.I.C. must be secured as are the deposits of uninvested sinking funds of political subdivisions of the State of Oklahoma, or in the case of deposits in the Bank, in the manner prescribed by federal law for securing trust funds.

- III. **DEBT SERVICE:** From the Series 2018 Bond Account, the Bank shall, not later than each interest and principal payment date so long as these Bonds remain outstanding, withdraw therefrom the accumulated sum, shown in Exhibit C, and deposit it in the "Sinking Fund" which it holds. The Sinking Fund is to be used by the Bank for payment of principal of and interest on the Bonds as they mature. The withdrawals are to be made in that amount which will permit payment of principal of and interest on Bonds as they become due.
- IV. **INVESTMENT OF FUNDS:** All funds not specifically mentioned in "Flow of Funds" section are to be kept continuously invested in conformance with its use and applicable law to yield the highest annual return for the benefit of the Authority subject to the security provisions as provided in subsection II herein entitled "Authority Revenues".

### **ADDITIONAL BONDS**

Provided no state of default exists under the Indenture, additional debt equally secured with this debt may be incurred under the following conditions:

- 1. Any such secured additional indebtedness shall be incurred only for acquiring, constructing, extending, improving, protecting or enlarging the properties and facilities of the Trust Estate, or of the Town of Kellyville, or to effect major repairs and replacements to the Trust Estate or for refunding any outstanding indebtedness of the Authority incurred for any of the foregoing purposes.
- 2. No such additional indebtedness shall be incurred unless the Net Revenues of the Trust Estate (hereinabove defined) shall, as certified by a Certified Public Accountant, have been at an annual rate equal to 1.25 times average annual debt service charges of the outstanding bonds for the preceding fiscal year.

3. The Supplemental Indenture providing for any such additional equally secured debt shall provide that payments into the Bond Account and Sinking Fund Account and shall be increased in such amounts as shall be necessary to service the additional bonds. The deposits or payments into the Bond Account and Sinking Fund Account required for each series of equally secured bonds are to be commingled with all other deposits and payments made into such account or fund under the Bond Indenture.

## **BOND COVENANTS**

Pursuant to the Indenture, the Authority has made certain covenants, which include the following:

1. The Authority has good right and lawful authority to execute and deliver the conveyance set forth in the Indenture, and all of said property is free and clear of all liens, claims, demands, encumbrances and governmental charges which could or in any manner might adversely affect or prejudice the rights, interests, privileges, powers and liens provided in the Indenture, and the Authority, so often as requested so to do by the Bank or any holder of any Bond promptly will execute and deliver all such other and further instruments and do, or cause to be done, all such other and further things, as reasonably shall be required to vest in the Bank all of the rights, powers and benefits intended to be conveyed, assigned and conferred by the Indenture.
2. The Authority will not suffer or permit any lien or encumbrance upon any of the property or revenues conveyed as security under the terms of the Indenture, or any part of said property or revenues, to be or become superior or in preference to the lien created by the Indenture, neither will the Authority do or suffer to be done any act or thing whereby the security provided in the Indenture shall be diminished or impaired.
3. The Authority forever will defend the unimpaired and unencumbered right, title and interest in and to each and every part of the property and revenues mentioned in the Indenture against all claims and demands asserted by any person or entity whatsoever to be prior or preferential to the lien created by the Indenture, and the Authority, upon request by the Bank or by the holder of any Bond, promptly will take such action as reasonably shall be required to extinguish any defect or cloud upon the rights, title and interests described as aforesaid whether presently existing or hereafter coming into existence; and the Authority will save harmless the Trustee and each holder of any Bond from all loss, cost, expense and damage with respect to any of the foregoing.
4. The Authority will maintain a schedule of utility charges, fees and rates sufficient (together with sales tax receipts appropriated and paid over to the Authority and any investment income of the Authority), to produce Net Revenues annually not less than 1.25 times average annual debt service requirements on the Bonds and all equally secured bonds after payment of all operation and maintenance costs and expenses of the Trust Estate.

5. The Authority will keep the systems insured by all forms of insurance ordinarily carried by reasonably prudent operators of like properties, the policies to be payable to the Beneficiary and/or the Bank as their interests shall appear and either the policies or certificates of insurance are to be delivered to the Bank promptly upon issuance thereof.
6. The Authority will maintain the systems in first-class working condition and will not remove or dispose of any of the mortgaged properties without written consent of the Bank.
7. The Authority will maintain its right to operate, and will operate the Systems so long as any bonded indebtedness remains outstanding, will comply with all applicable laws, rules and regulations, and will give no free service except to the Beneficiary for strictly governmental purposes.
8. The proceeds of these bonds will be used solely for the purposes for which they were issued, as briefly outlined in a preceding paragraph entitled "Purpose of Issue" and as described in complete detail in the Bond Indenture itself under which they are issued and for refunding interim or temporary debt incurred by the Authority for the same purposes.
9. All monies collected by the Authority will be applied in the manner provided in the preceding section entitled "Flow of Funds".
10. The Authority will keep proper books, records and accounts in accord with good accounting practices which shall at all reasonable times be made available to bondholders or their representatives. That, within 180 days following the close of its fiscal year, it will supply to the Bank, the Beneficiary, Wells Nelson & Associates, LLC, and to any bondholder who so requests, an annual audit of its operations during the preceding fiscal year, prepared by a Certified Public Accountant. If so requested by the Bank or the holders of at least 51% of the outstanding debt, such Certified Public Accountant shall be named by the Bank or the bondholders.
11. The Authority will incur no additional indebtedness secured by the revenues of the Trust Estate, (a) if it is in default in any of its covenants; and (b) unless the additional debt be issued in full compliance with all requirements of the paragraph entitled "Additional Bonds".
12. Any provision in the Bond Indenture may be amended by the agreement of the Authority and the Bank with the consent given in writing to the Bank by the holders of not less than 75% of all the equally secured bonds then outstanding except, however:
  - a. The aforesaid percentage of seventy-five percent (75%) shall not be reduced without the consent of the holders of all of the outstanding indebtedness;
  - b. Any reduction made in the rate of interest must apply equally to all bonds unless otherwise consented to in writing by the holder of the excepted bonds;

- c. That in the event that there shall be an extension of maturities serially, the same relative position in the extended schedule shall be retained for each bond as in the maturity schedule of the bonds as originally issued, unless otherwise consented to in writing by the holder of the excepted bonds. However, if the extension of maturities is made into a single maturity, the extension shall apply to all bondholders; and
  - d. That no bond be given preference in security over any other;
13. It is also provided that in the event monies in an amount which shall be sufficient or direct obligations of the United States or of agencies of the United States fully guaranteed by the United States are placed in a special escrow account for the sole purpose and in sufficient amount that the principal and interest earned when due shall provide funds to pay promptly and fully as they mature, both interest on and principal of the Bonds or in the alternative, on such earlier date any of said outstanding bonds, respectively, are callable for redemption prior to maturity, in the latter event, together with any premium payable upon such redemption, at which time the lien securing them by the Trust Estate shall be released.
14. The Authority will timely prepare and file, or cause to be prepared and filed, any and all reports or returns required under the Internal Revenue Code of 1986, as amended, and will comply with the Internal Revenue Code of 1986, as amended, will take any and all actions necessary in order to preserve the federal tax-exempt status of the interest payable on the Bonds and the Authority will timely meet the rebate requirements of the Internal Revenue Code of 1986, as amended, including but not limited to, payment of any required rebates to the United States, relating to income derived from investment of the proceeds of the Bonds.

### **DEFEASANCE**

The Indenture shall be defeased if, among other things, there are sufficient monies, the principal of and interest on which when due will provide monies, which together with the monies, if any, deposited with the Bank at the same time are sufficient to pay when due the principal or redemption price of and interest due, and to become due, on the Bonds, on and prior to the redemption date or maturity date thereof, as the case may be.

### **DEFAULTS AND REMEDIES**

The Bond Indenture makes the happening or existence of any fact incompatible with its provisions a default including, but not limited to, the failure to pay the principal of and interest on the Bonds when due.

All of the customary remedies, including acceleration of maturities, receivership, etc., are made available to the Bank and to all bondholders.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Johanning and Byrom, P.C., Oklahoma City, Oklahoma, Bond Counsel, who will render an opinion in substantially the form attached hereto as Exhibit "F".

## **NO LITIGATION**

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization, nor existence of the Authority, nor the title of the present trustees or officers of the Authority to their respective offices, is being contested.

## **UNDERWRITING**

The Bonds are to be purchased by Wells Nelson & Associates, LLC (the "Underwriter"), pursuant to a Contract of Purchase with the Authority (the "Contract of Purchase"). The Underwriter has agreed to purchase the Bonds at a price of \$750,750 which represents the \$770,000 principal amount of Bonds, less Underwriter's Discount of \$19,250. The Contract of Purchase provides that the Underwriter will not be obligated to purchase any Bonds if all Bonds are not available for purchase, and requires the Authority to indemnify the Underwriter against losses, claims, damages and liabilities arising out of any incorrect or incomplete statements or information contained in this Official Statement pertaining to the Projects and other matters. The initial public offering price set forth on the cover page hereof may be changed by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

## **CONTINUING DISCLOSURE**

The Authority will execute and deliver its Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") for the benefit of the holders and beneficial owners of the Bonds. The Authority is required to observe the Continuing Disclosure Agreement for so long as it remains obligated to pay the Bonds. Pursuant to the Continuing Disclosure Agreement, the Authority, through UMB, N. A., Oklahoma City, Oklahoma, as its Dissemination Agent, designated in writing by the Authority, which has filed with the Trustee a written acceptance of such designation, will be obligated to provide certain updated financial information and timely notice of certain specified events, to the

Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org). See Exhibit "G" - Continuing Disclosure Agreement.

## **Annual Reports**

The Authority, through the Dissemination Agent, will provide certain updated financial information to the MSRB on an annual basis. The Authority will update and provide this information within 180 days after the end of each fiscal year. The financial information to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12, as amended (the "Rule"). The updated information will include audited financial statements as set forth in the Continuing Disclosure Agreement. If audited financial statements are not available by the required time, the Authority will provide unaudited financial information of the type described in the preceding paragraph by the required time and audited financial statements when and if the audit report becomes available.

The Authority's current fiscal year end is June 30<sup>th</sup>. If the Authority changes its fiscal year, it will notify the MSRB of the change. Additionally, the Authority will provide their audited financial statements to EMMA no later than 180 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2018.

## **Notice of Certain Events**

The Authority will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) nonpayment related defaults, if material; (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 -TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Authority, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional Trustee or the change of name of a Trustee, if material. In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data, or financial statements in accordance with its Continuing Disclosure Agreement described above under "Annual Reports". The Authority will provide each notice described in this paragraph to the MSRB. Neither the Bonds nor the Indenture provides for liquidity enhancement or credit enhancement.



For these purposes, any event described in item (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

### **Availability of Information**

In connection with its Continuing Disclosure Agreement entered into with respect to the Bonds, the Authority, through the Dissemination Agent, will file all required information and documentation with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The Authority, through the Dissemination Agent, has agreed to update information and to provide notices of material events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its Continuing Disclosure Agreement or from any statement made pursuant to its Continuing Disclosure Agreement, although registered owners of Bonds may seek a writ of mandamus to compel the Authority to comply with its Continuing Disclosure Agreement.

The Continuing Disclosure Agreement may be amended by the Authority from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the Authority, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Indenture that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The Authority may also amend or repeal the provisions of the Continuing Disclosure Agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

If the Authority amends its Continuing Disclosure Agreement, it must include with the next financial information and operating date provided in accordance with its Continuing Disclosure Agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

### **Compliance with Prior Undertakings**

The Authority has entered into prior continuing disclosure undertakings pursuant to the Rule with respect to its previously issued Series 2007 Utility System Refunding and Capital Improvement Revenue Bonds, dated December 1, 2007 (the "Prior Undertakings"). During the last five years, the Authority has not complied in all material respects with the Prior Undertakings made by it in accordance with the Rule. The Authority has been obligated to provide the Authority's audited financial statements within six months (180 days) after the end of each fiscal year (June 30th). The Authority filed its financial statements as follows: for period ending June 30, 2017, the audit was posted on time on December 20, 2017; for period ending June 30, 2016, the audit was posted late on October 6, 2017 with a Late Notice filed on December 30, 2016; for period ending June 30, 2015, the audit was posted late on December 30, 2016 with a late Notice filed on December 30, 2015; for period ending June 30, 2014, the audit was posted late on December 30, 2016 with a Late Notice on December 31, 2014; and for period ending June 30, 2013, the audit was posted late on December 31, 2015 with a Late Notice filed on December 31, 2014. Additionally, the Authority posted a Material Event consenting to appoint a successor trustee dated December 31, 2014.

The Authority has completed measures to correct its prior non-compliance including engaging the Dissemination Agent.

### **MISCELLANEOUS**

Information concerning the Authority, the Financial Statements and the Bonds contained in this Official Statement has been furnished by the Authority.

The foregoing summaries or descriptions of provisions in the Indenture and all references to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such provisions. For further information, reference should be made to the complete documents, copies of which are on file at the corporate trust offices of the Trustee for examination and will be furnished by the Authority upon request.

All projections and other 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. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Bonds.

**APPROVAL OF OFFICIAL STATEMENT**

This Official Statement has been approved by the Authority for distribution to prospective purchasers of the Bonds of The Kellyville Public Works Authority.

**THE KELLYVILLE PUBLIC WORKS AUTHORITY**

By:       /s/      Jim Vogt        
Chairman of Trustees

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**EXHIBIT A**

**DEBT SERVICE SCHEDULE**

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**\$770,000**

THE KELLYVILLE PWA

Curr Ref 2018-dtd 8.1\_6.27.18

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
12/01/2018	10,000.00	3.250%	9,555.00	19,555.00
12/01/2019	30,000.00	3.250%	28,340.00	58,340.00
12/01/2020	30,000.00	3.250%	27,365.00	57,365.00
12/01/2021	30,000.00	3.250%	26,390.00	56,390.00
12/01/2022	30,000.00	3.250%	25,415.00	55,415.00
12/01/2023	30,000.00	3.250%	24,440.00	54,440.00
12/01/2024	35,000.00	3.500%	23,465.00	58,465.00
12/01/2025	35,000.00	3.500%	22,240.00	57,240.00
12/01/2026	35,000.00	3.500%	21,015.00	56,015.00
12/01/2027	40,000.00	3.500%	19,790.00	59,790.00
12/01/2028	40,000.00	3.500%	18,390.00	58,390.00
12/01/2029	40,000.00	3.800%	16,990.00	56,990.00
12/01/2030	40,000.00	3.800%	15,470.00	55,470.00
12/01/2031	45,000.00	3.800%	13,950.00	58,950.00
12/01/2032	45,000.00	3.800%	12,240.00	57,240.00
12/01/2033	45,000.00	3.800%	10,530.00	55,530.00
12/01/2034	50,000.00	4.200%	8,820.00	58,820.00
12/01/2035	50,000.00	4.200%	6,720.00	56,720.00
12/01/2036	55,000.00	4.200%	4,620.00	59,620.00
12/01/2037	55,000.00	4.200%	2,310.00	57,310.00
<b>Total</b>	<b>\$770,000.00</b>	<b>-</b>	<b>\$338,055.00</b>	<b>\$1,108,055.00</b>

### Yield Statistics

Bond Year Dollars	\$8,696.67
Average Life	11.294 Years
Average Coupon	3.8871790%
Net Interest Cost (NIC)	4.1085282%
True Interest Cost (TIC)	4.1555715%
Bond Yield for Arbitrage Purposes	3.8643225%
All Inclusive Cost (AIC)	4.5991360%

### IRS Form 8038

Net Interest Cost	3.8871790%
Weighted Average Maturity	11.294 Years

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## **EXHIBIT B**

### **ECONOMIC INDICES**

#### **THE TOWN**

The Bonds are special obligations of the Authority payable from the revenue described under “THE BONDS - Nature of Obligation and Sources of Payment”. The following information is intended only as general information about the Town. **The Town is in no way obligated to repay any portion of the Bonds.**

#### **GENERAL**

Kellyville has a statutory aldermanic type of government. There is a comprehensive Town plan and zoning commission. The Town provides sanitary sewer and garbage service. Kellyville has twenty volunteer fire personnel and three full-time police officers with six reserve officers. The Town’s fire insurance has a six classification while the adjacent area has a seven classification. Electricity is provided by OG&E and East Central, natural gas is provided by Oklahoma Natural Gas and telephone service is provided by TDS Telecom.

#### **TRANSPORTATION**

Air Transportation. Tulsa, located 16 miles northeast of Kellyville, has the Tulsa International Airport located approximately 45 miles away. A full service field airport, Tulsa International has three runways, the longest having runway length of 10,000 feet. There are at least 10 major commercial airlines operating out of Tulsa International Airport. There are also several air freight companies in operation at this airport.

Water Transportation. The nearest water transportation is the Port of Muskogee located about 70 miles away and has a channel depth of 9 feet. It is connected via the Arkansas River to the Mississippi River and the Gulf of Mexico.

Road System. Kellyville is located at the intersection of SH 66 and SH 33. The nearest interstate highway is I-44 approximately 4 miles to the north.

## **THE SYSTEMS**

### **SANITARY SEWER AND GARBAGE**

The Authority owns and operates a publicly-owned treatment works (POTW), State Facility Number S-20451. The facility is located within the corporate limits of Kellyville, Creek County, Oklahoma. This POTW consists of nearly 41,000 linear feet of 8-inch diameter PVC pipe as well as approximately 5,000 linear feet of 6-inch PVC pipe, and two lift stations.

There currently exists 450 sewer connections.

The Authority also provides garbage service to its customers.

### **WATER SYSTEM**

Residential water customers purchase water directly from Creek County, RWD No. 1.

*Source: Kellyville Public Works Authority*

### **MAJOR EMPLOYERS**

<u>Company Name</u>	<u>Product</u>	<u>Approximate Number of Employees</u>
East Central Electric Corp	Electricity	220
John Christer Trucking	Trucking	200

### **EDUCATION**

Kellyville has 3 primary and secondary schools with approximately 1,520 students and 140 teachers. The types of school facilities are listed as follows:

<u>Type</u>	<u>Grade</u>	<u>Facilities</u>	<u>Enrollment</u>	<u>Teachers</u>
Public	K-6	1	813	60
Public	7-9	1	469	57
Public	10-12	<u>1</u>	<u>238</u>	<u>23</u>
Total		3	1,520	140

*Source: Town Officials*

**POPULATION**

The estimated population of the Town is presently 921 people. The historical population of the town is as follows:

<u>Year</u>	<u>Population</u>
2010	1,150
2000	906
1990	984

*Source: US Census Bureau*

**SALES TAX COLLECTIONS**

			<b>EARMARKED</b>	<b>AVERAGE</b>	
	<b>3.5 CENT</b>		<b>6/10ths OF</b>	<b>MONTHLY</b>	
<b>FISCAL</b>	<b>TOTAL</b>	<b>1 CENT</b>	<b>1.5 CENT</b>	<b>1 CENT</b>	<b>%</b>
<u>YEAR</u>	<u>COLLECTIONS</u>	<u>COLLECTIONS</u>	<u>COLLECTIONS</u>	<u>COLLECTIONS</u>	<u>CHANGE</u>
2017/18	\$ 326,251	\$ 93,215	\$ 83,893	\$ 7,767.89	34.51%
2016/17	\$ 242,551	\$ 69,300	\$ 62,370	\$ 5,775	-8.44%
2015/16	\$ 264,898	\$ 75,685	\$ 68,117	\$ 6,307	-5.08%
2014/15	\$ 279,085	\$ 79,739	\$ 71,765	\$ 6,645	n/a

*Source: Oklahoma Tax Commission*

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**EXHIBIT C**  
**UTILITY RATES**

**SEWER RATES**

<u>Residential</u>	<u>Rate</u>
1 - 1,000 gallons (Flat Rate)	\$16.00
1,001 and over (Per 1,000 Gallons)	.70

Source: Official Town Records

**GARBAGE RATES**

<u>Residential</u>	<u>Rate</u>
Monthly charge per customer	\$12.00

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**EXHIBIT D**

**AUDIT**

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TOWN OF KELLYVILLE, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

RALPH OSBORN  
Certified Public Accountant  
500 South Chestnut  
Bristow, Oklahoma 74010

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees  
Town of Kellyville, Oklahoma

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Kellyville, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Kellyville's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Kellyville as of June 30, 2017, and the respective changes in financial position - modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

Basis of Accounting

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 6, 2017, on my consideration of Town of Kellyville's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Kellyville, Oklahoma's internal control over financial reporting and compliance.

*Ralph Osborn*

Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
October 6, 2017

TOWN OF KELLYVILLE, OKLAHOMA  
STATEMENT OF NET ASSETS  
MODIFIED CASH BASIS  
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 26,000	\$ 12,305	\$ 38,305
<b>Total current assets</b>	<b>26,000</b>	<b>12,305</b>	<b>38,305</b>
Restricted assets:			
Cash - debt service	-	15,387	15,387
Cash - reserve	-	65,403	65,403
Cash - Webco Escrow	-	308	308
<b>Total restricted assets</b>	<b>-</b>	<b>81,098</b>	<b>81,098</b>
Non-current assets:			
Capital assets			
Land	24,700	-	24,700
Other capital assets net of Accumulated depreciation	741,225	1,902,288	2,643,513
<b>Total non-current assets</b>	<b>765,925</b>	<b>1,902,288</b>	<b>2,668,213</b>
<b>Total assets</b>	<b>791,925</b>	<b>1,995,691</b>	<b>2,787,616</b>
<b>LIABILITIES</b>			
Current liabilities:			
Utility deposits	-	7,495	7,495
Capital lease obligation	-	11,538	11,538
Notes payable	-	40,000	40,000
<b>Total current liabilities</b>	<b>-</b>	<b>59,033</b>	<b>59,033</b>
Non-current liabilities:			
Capital lease obligation	-	26,972	26,972
Notes payable	-	996,667	996,667
<b>Total non-current liabilities</b>	<b>-</b>	<b>1,023,639</b>	<b>1,023,639</b>
<b>Total liabilities</b>	<b>-</b>	<b>1,082,672</b>	<b>1,082,672</b>
<b>NET ASSETS</b>			
Invested in capital assets, net related debt	765,925	827,111	1,593,036
Restricted for debt service	-	80,790	80,790
Restricted for Webco Escrow	-	308	308
Unrestricted	26,000	4,810	30,810
<b>Total net assets</b>	<b>\$ 791,925</b>	<b>\$ 913,019</b>	<b>\$ 1,704,944</b>

The accompanying notes are an integral part of this financial statement.

TOWN OF KELLYVILLE, OKLAHOMA  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2017

Function/Programs	Program Revenue			Net (Expenses) Revenue	
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions		
<u>Expenses</u>					
<b>Governmental activities</b>					
General government	\$ 187,980	\$ 1,456	\$ 6,180	\$ -	\$ (180,344)
Public safety	195,364	104,430	3,817	-	(87,117)
Street	30,699	-	7,210	-	(23,489)
Culture and education	64,720	-	11,912	-	(52,808)
Parks and recreation	1,808	-	-	-	(1,808)
Legal	21,762	-	-	-	(21,762)
Cemetery	30,857	21,489	-	-	(9,368)
Total governmental activities	<u>533,190</u>	<u>127,375</u>	<u>29,119</u>	<u>-</u>	<u>(376,696)</u>
<b>Business-type activities</b>					
Sanitation	79,884	99,091	-	-	19,207
Wastewater	171,596	127,357	-	-	(44,239)
Total business-type activities	<u>251,480</u>	<u>226,448</u>	<u>-</u>	<u>-</u>	<u>(25,032)</u>
Total primary government	<u>\$ 784,670</u>	<u>\$ 353,823</u>	<u>\$ 29,119</u>	<u>\$ -</u>	<u>\$ (401,728)</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense) revenue	\$ (376,696)	\$ (25,032)	\$ (401,728)
<b>General revenues</b>			
<b>Taxes</b>			
Sales Tax	242,551	-	242,551
Use Tax	32,069	-	32,069
Franchise	40,930	-	40,930
Cigarette Tax	2,907	-	2,907
Gas Tax	2,148	-	2,148
Donations	1,029	-	1,029
Gain on Disposition of Assets	2,910	-	2,910
Other	10,912	976	11,888
Interest	132	119	251
Transfers	12,520	(12,520)	-
Total general revenue and transfers	<u>348,108</u>	<u>(11,425)</u>	<u>336,683</u>
Change in net assets	(28,588)	(36,457)	(65,045)
Net assets - beginning	<u>820,513</u>	<u>949,476</u>	<u>1,769,989</u>
Net assets - ending	<u>\$ 791,925</u>	<u>\$ 913,019</u>	<u>\$ 1,704,944</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF KELLYVILLE, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General Fund	Total Governmental Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 26,000	\$ 26,000
<b>TOTAL ASSETS</b>	<b>\$ 26,000</b>	<b>\$ 26,000</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>FUND BALANCES</b>		
Unrestricted	26,000	26,000
<b>TOTAL FUND BALANCES</b>	<b>26,000</b>	<b>26,000</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 26,000</b>	<b>\$ 26,000</b>

The accompanying notes are an integral part of this financial statement.

TOWN OF KELLYVILLE, OKLAHOMA  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
WITH THE STATEMENT OF NET ASSETS  
YEAR ENDED JUNE 30, 2017

Total fund balance \$ 26,000

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

Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported as assets in governmental funds.

Land	24,700	
Capital assets	1,334,018	
Accumulated depreciation	<u>(592,793)</u>	765,925

Long-term liabilities are not due and payable  
in the current period and therefore are not  
reported as liabilities in the fund. Long-term  
liabilities at year end consist of:

Lease obligation	<u>                    -</u>
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Total net assets	<u><u>\$ 791,925</u></u>
------------------	--------------------------

The accompanying notes are an integral part of this financial statement.

TOWN OF KELLYVILLE, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Total Governmental Funds
<b>Revenue</b>		
Sales tax	\$ 242,551	\$ 242,551
Use tax	32,069	32,069
Franchise tax	40,930	40,930
Gasoline and auto tax	9,358	9,358
Alcoholic beverage tax	6,180	6,180
Cigarette tax	2,907	2,907
Fire revenue	37,853	37,853
Cemetery services	7,210	7,210
Cemetery lot sales	14,279	14,279
License and permits	1,456	1,456
Intergovernmental	15,729	15,729
Fines and forfeits	66,577	66,577
Donations	1,029	1,029
Insurance proceeds	17,125	17,125
Sale of Asset	1,300	1,300
Other	10,912	10,912
Interest	132	132
<b>Total revenue</b>	<b>507,597</b>	<b>507,597</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	190,723	190,723
Public safety	198,717	198,717
Street	29,043	29,043
Culture and education	58,063	58,063
Legal	21,762	21,762
Cemetery	30,857	30,857
Parks and recreation	1,808	1,808
<b>Total expenditures</b>	<b>530,973</b>	<b>530,973</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(23,376)</b>	<b>(23,376)</b>
<b>Other financing sources (uses)</b>		
Transfer in (out)	12,520	12,520
<b>Total other financing sources (uses)</b>	<b>12,520</b>	<b>12,520</b>
<b>Net change in fund balance</b>	<b>(10,856)</b>	<b>(10,856)</b>
<b>Fund balances, beginning</b>	<b>36,856</b>	<b>36,856</b>
<b>Fund balances, ending</b>	<b>\$ 26,000</b>	<b>\$ 26,000</b>

The accompanying notes are an integral part of this financial statement.



TOWN OF KELLYVILLE, OKLAHOMA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balances - total governmental funds \$ (10,856)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(35,922)	
Gain/(loss) on Sold/Disposed Assets	(15,515)	
Capital outlay	6,900	(44,537)

The proceeds of debt issuance provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bonds and lease obligation principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activity. This is the amount by which debt proceeds exceeds debt payments.

Debt payments	26,805	26,805
---------------	--------	--------

Change in net assets \$ (28,588)

The accompanying notes are an integral part of this financial statement.

TOWN OF KELLYVILLE, OKLAHOMA  
STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
JUNE 30, 2017

	<u>Public Works</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 12,305
Total current assets	<u>12,305</u>
Restricted assets:	
Cash-debt service	15,387
Cash-reserve	65,403
Cash-Webco escrow	<u>308</u>
Total restricted assets	<u>81,098</u>
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>1,902,288</u>
Total non-current assets	<u>1,902,288</u>
Total assets	<u>1,995,691</u>
<b>LIABILITIES</b>	
Current liabilities:	
Utility deposits	7,495
Lease obligation payable	11,538
Notes payable	<u>40,000</u>
Total current liabilities	<u>59,033</u>
Non-current liabilities:	
Lease obligation payable	26,972
Notes payable	<u>996,667</u>
Total non-current liabilities	<u>1,023,639</u>
Total liabilities	<u>1,082,672</u>
<b>NET ASSETS</b>	
Invested in capital assets, net relate debt	827,111
Restricted for debt service	80,790
Restricted for Webco escrow	308
Unrestricted	<u>4,810</u>
Net assets of business-type activities	<u>\$ 913,019</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF KELLYVILLE, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
MODIFIED CASH BASIS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Public Works
<u>OPERATING REVENUES</u>	
Charges for services:	
Wastewater charges	\$ 119,888
Sanitation charges	99,091
Penalty	7,469
Sewer tap	-
Other	976
Total operating revenues	227,424
<u>OPERATING EXPENSES</u>	
Personal Services	-
Sanitation contractor	79,884
Maintenance and supplies	15,190
Lab fees	12,675
Repair and Maintenance	7,849
Permits	506
Professional Fees	-
Office	-
Other	3,004
Utilities	15,805
Depreciation	70,690
Total operating expenses	205,603
Operating income (loss)	21,821
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	119
Interest and fees on notes payable	(45,877)
Total non-operating revenue (expenses)	(45,758)
Income before transfers	(23,937)
Transfer in (out)	(12,520)
Change in net assets	(36,457)
Total net assets, beginning	949,476
Total net assets, ending	\$ 913,019

The accompanying notes are an integral part of this financial statement.

TOWN OF KELLYVILLE, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2017

	Public Works
Cash flows from operating activities	
Cash received from customers	\$ 227,344
Cash to employees	-
Cash payments to suppliers for goods and services	(134,913)
Net cash provided (used) by operating activities	92,431
Cash flows from non-capital financing activities	
Transfer (to)/from other funds	(12,520)
Net cash provided by non-capital financing activities	(12,520)
Cash flows from capital and related financing activities	
Principal paid on notes payable	(51,288)
Interest paid on notes payable and fiscal fees	(45,877)
Net cash used for capital and related financing activities	(97,165)
Cash flows from investing activities	
Interest revenue	119
Net cash provided by investing activities	119
Net increase/(decrease) in cash and cash equivalents	(17,135)
Cash and cash equivalents, beginning	110,538
Cash and cash equivalents, ending	\$ 93,403
Reconciliation of operating income	
(Loss) to net cash provided by	
(Used) by operating activities	
Operating income (loss)	\$ 21,821
Adjustments to reconcile operating income	
to net cash used by operating activities:	
Depreciation	70,690
Increase/(decrease) in meter deposits	(80)
Net cash provided by operating activities	\$ 92,431

The accompanying notes are an integral part of this financial statement.

TOWN OF KELLYVILLE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Kellyville, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, public safety, public works, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria the Kellyville Public Works Authority (the Authority) is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of the Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town financial statements.

Kellyville Public Works Authority was created under the provisions of Title 60, Sections 176 to 180, Oklahoma Statutes. The Authority is managed by a Board of Trustees made up of members of the Town Board of Trustees. The Authority operates sanitation and sewer services for the Town of Kellyville.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

TOWN OF KELLYVILLE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

*Fund Financial Statements*

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and which is a change from the prior year. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or ABP opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the cash basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of Town component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

TOWN OF KELLYVILLE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds - The Town reports the following major enterprise funds:

Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budgets and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: Personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Trustees. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Board approval.

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances.

TOWN OF KELLYVILLE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2017 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements. Under the modified cash basis of accounting, prepaids are not reported. The expense is included in the period the liability is paid.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-60

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. Under the modified cash basis of accounting, no accruals are recorded for compensated absences.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.



TOWN OF KELLYVILLE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2017, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$119,403 at June 30, 2017. The bank balance of the deposits at June 30, 2017 was approximately \$131,918.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2017.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Trustees monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2017, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - RESTRICTED CASH

The Authority has reported the following as restricted cash:

Debt service	\$ 15,387
Reserve	65,403
Webco escrow	308
Total	<u>\$ 81,098</u>

The debt service and reserve funds are held by a trustee bank in conjunction with the note payable listed in Note E. The debt service money is limited to use in retiring note principle and paying note interest.

TOWN OF KELLYVILLE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

Webco Industries, Inc., a local business, has donated funds to the Authority in the amount of \$135,000. These funds were required to be placed in an escrow account which earns interest and is to be distributed into the Authority's operating fund at a rate of \$2,000 per month until fully distributed. The balance of the escrow funds at June 30, 2017 was \$308.

NOTE D - CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated Land</u>
	<u>Buildings</u>	<u>Infrastructure &amp; Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental activities</b>					
Balance, June 30, 2016	\$ 728,777	\$ 13,650	\$ 602,091	\$ 1,344,518	\$ 24,700
Increases	-	-	6,900	6,900	-
Decreases	-	-	(17,400)	(17,400)	-
Balance, June 30, 2017	<u>728,777</u>	<u>13,650</u>	<u>591,591</u>	<u>1,334,018</u>	<u>24,700</u>
<b>Accumulated Depreciation</b>					
Balance, June 30, 2016	231,546	13,650	313,560	558,756	
Increase	12,498	-	23,424	35,922	
Decreases	-	-	(1,885)	(1,885)	
Balance, June 30, 2017	<u>244,044</u>	<u>13,650</u>	<u>335,099</u>	<u>592,793</u>	
Governmental activities Capital Assets, Net	<u>\$ 484,733</u>	<u>\$ -</u>	<u>\$ 256,492</u>	<u>\$ 741,225</u>	<u>\$ 24,700</u>
<b>Business-type activities</b>					
Balance, June 30, 2016	\$ -	\$ 2,932,224	\$ 111,920	\$ 3,044,144	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2017	<u>-</u>	<u>2,932,224</u>	<u>111,920</u>	<u>3,044,144</u>	<u>-</u>
<b>Accumulated Depreciation</b>					
Balance, June 30, 2016	-	1,025,691	45,475	1,071,166	
Increase	-	65,588	5,102	70,690	
Decreases	-	-	-	-	
Balance, June 30, 2017	<u>-</u>	<u>1,091,279</u>	<u>50,577</u>	<u>1,141,856</u>	
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 1,840,945</u>	<u>\$ 61,343</u>	<u>\$ 1,902,288</u>	<u>\$ -</u>
<b>PRIMARY GOVERNMENT Capital Assets, Net</b>	<u>\$ 484,733</u>	<u>\$ 1,840,945</u>	<u>\$ 317,835</u>	<u>\$ 2,643,513</u>	<u>\$ 24,700</u>

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General Government	\$ 4,157	Wastewater	\$ 70,690
Public Safety	23,452		
Street	1,656		
Culture and education	6,657		

TOWN OF KELLYVILLE, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017

NOTE E - PROPRIETARY FUND BONDS AND NOTES PAYABLE

On December 30, 2007, the Authority issued revenue bonds in the amount of \$950,000 for the purpose of providing advanced refunding of the 2003 Revenue Bonds and construction costs related to waste water system improvements. The 2007 Revenue Bonds are secured by a pledge of the gross revenues derived from the Authority's operation of the Utility system, all rights, titles and interest of the Authority in and to the Utility system, and all funds and accounts created by the bond indenture. Interest on the 2007 Revenue Bonds is payable semiannually on June 1 and December 1. The bond redemption occurs annually and began on December 1, 2008, continuing for thirty years. The balance of the bond at June 30, 2017 was \$805,000.

During fiscal year 2008, the Authority entered into a zero percent note payable through the Oklahoma Department of Commerce for the amount of \$400,000 payable in monthly payments of \$1,667 beginning in March of 2009. The balance of this note at June 30, 2017 was \$231,667.

The following is a summary of bonds and notes payable transactions for the year ended June 30, 2017.

	<u>Payable at July 1, 2016</u>	<u>Addition/ Retirements</u>	<u>Balance at June 30, 2017</u>
2007 Revenue Bond Payable	\$ 825,000	\$ (20,000)	\$ 805,000
Ok Department of Commerce	<u>251,667</u>	<u>(20,000)</u>	<u>231,667</u>
Total	<u>\$ 1,076,667</u>	<u>\$ (40,000)</u>	<u>\$ 1,036,667</u>

Principal and interest payments to retire the bond and note are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 40,000	\$ 43,175	\$ 83,175
2019	40,000	42,225	82,225
2020	40,000	41,275	81,275
2021	45,000	40,325	85,325
2022	45,000	38,950	83,950
2023-2027	240,000	173,300	413,300
2028-2032	216,667	129,850	346,517
2033-2037	245,000	73,495	318,495
2038	<u>125,000</u>	<u>6,625</u>	<u>131,625</u>
Total	<u>\$1,036,667</u>	<u>\$ 589,220</u>	<u>\$1,625,887</u>

The Authority paid interest and fees in the amount of \$45,877 on its outstanding note during the fiscal year.

TOWN OF KELLYVILLE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE F - DEBT SERVICE COVERAGE

The revenue bond indenture requires the Authority maintain a schedule of rates and charges for services rendered through the Systems which will provide annually a sum equal to not less than one and on-fourth (1.25) times the average annual amount required to be paid in cash for the fiscal year of the Authority into the Sinking Fund for the bonds and any indebtedness secured equally with the Bonds in cash, after paying or providing for the payment of and all costs and expenses of operation and maintenance of the Systems. The ratio for the current year is calculated as follows:

Operating income	\$ 21,821
Depreciation	70,690
Net revenue	<u>\$ 92,511</u>
Average annual amount to be paid	<u>\$ 65,460</u>
Ratio	<u>1.41 to 1</u>

The Town was in compliance.

NOTE G - CAPITAL LEASES

The Town and the Public Works Authority have entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The leases contain a clause which gives the Town and Authority the ability to terminate the lease agreement at the end of each fiscal year.

Capital lease transactions for the year ended June 30, 2017 are as follows:

	Payable at July 1, 2016	Additions	Retirements	Balance at June 30, 2017
Police Cars	\$ 9,405	\$ -	\$ (9,405)	\$ -
Police Car	17,400	-	(17,400)	-
PWA Backhoe	49,798	-	(11,288)	38,510
	<u>\$ 76,603</u>	<u>\$ -</u>	<u>\$ (38,093)</u>	<u>\$ 38,510</u>

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	PWA Backhoe	Total
2018	\$ 12,515	\$ 12,515
2019	12,515	12,515
2020	<u>12,515</u>	<u>12,515</u>
Total minimum lease payment	37,545	37,545
Less: Amount representing interest	<u>965</u>	<u>965</u>
Total	<u>\$ 38,510</u>	<u>\$ 38,510</u>

TOWN OF KELLYVILLE, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017

NOTE H - PENSION OBLIGATIONS

The Town participates in one pension plan.

Oklahoma Firefighter's Pension and Retirement System

The Town participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% Of final average salary multiplied By the years of credited service with A maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2017	\$ 840	100%
2016	840	100%
2015	900	100%

TOWN OF KELLYVILLE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE I - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE J - FEDERAL AND STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE K - SUBSEQUENT EVENTS

Management has evaluated subsequent events and contingencies through October 6, 2017, the date which financial statements were available. The Town believes there are no events requiring disclosure.

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

To the Honorable Mayor and Members of the Board of Trustees  
Town of Kellyville  
Kellyville, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Kellyville, Oklahoma, modified cash basis, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Kellyville's basic financial statements and have issued my report thereon dated October 6, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Kellyville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Kellyville's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Kellyville's internal control.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of the Report

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

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
October 6, 2017



**EXHIBIT E**

**LEASE**

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LEASE AGREEMENT AND OPERATION AND MAINTENANCE CONTRACT

THIS LEASE AGREEMENT AND OPERATION AND MAINTENANCE CONTRACT (hereinafter called the "Lease") dated as of October 1, 1981 by and between THE TOWN OF KELLYVILLE, OKLAHOMA (hereinafter called the "Town"), a municipal corporation acting by its Mayor and Board of Trustees pursuant to Resolution and the TRUSTEES OF THE KELLYVILLE PUBLIC WORKS AUTHORITY (hereinafter called the "Authority"), a public trust created under the authority of and pursuant to the provisions of Title 60 Oklahoma Statutes 1971, Sections 176 to 180.3, as amended and supplemented, and the Oklahoma Trust Act; WITNESSETH:

WHEREAS, the Authority has been created by a Declaration of Trust dated as of September 12, 1973 recorded in the office of the Creek County Clerk on November 5, 1975 in Book 35 beginning at Page 2181, which Declaration of Trust designates the members of the Board of Trustees of the Town as the Trustees of the Authority for the use and benefit of the Town; and

WHEREAS, on February 17, 1981, pursuant to election duly called, the registered qualified electors approved the following proposition by a vote of 152 for and 54 against, with one mutilated ballot, all as canvassed by the Creek County Election Board on said date:

SHALL THE TOWN OF KELLYVILLE, OKLAHOMA, LEASE TO THE TRUSTEES OF THE KELLYVILLE PUBLIC WORKS AUTHORITY, A PUBLIC TRUST, THE PRESENTLY EXISTING AND HEREAFTER ACQUIRED SANITARY SEWER SYSTEM OF THE TOWN, TOGETHER WITH ALL ADDITIONS AND IMPROVEMENTS THERETO, FOR A TERM OF FIFTY (50) YEARS, OR TO SUCH DATE AS ALL INDEBTEDNESS OF SUCH AUTHORITY IS RETIRED OR PROVISION FOR PAYMENT HAS BEEN MADE, WITH THE RIGHT OF SAID AUTHORITY TO EXTEND THE LEASE FOR A LIKE TERM; AUTHORIZING THE SAID AUTHORITY TO ISSUE REVENUE BONDS, NOTES OR INDEBTEDNESS IN THE PRINCIPAL AMOUNT OF \$250,000 TO ACQUIRE, CONSTRUCT AND IMPROVE A SANITARY SEWER SYSTEM FOR THE TOWN, AS OWNER, PAYABLE SOLELY FROM THE REVENUES DERIVED FROM THE OPERATION OF THE COMPLETE SANITARY SEWER SYSTEM.

WHEREAS, to pay part of the costs of acquiring, constructing and improving the Town's sanitary sewer system (hereinafter together with all appurtenances thereof and incidents thereto more fully described in Section 1 hereof called the "System"), the Authority has determined to issue its Sewer Revenue Note, Series 1981 (hereinafter called the "1981 Note") to be dated as of delivery date in the maximum authorized principal amount of \$250,000 and to be issued under a Loan Agreement dated as of October 1, 1981 (hereinafter called the "Loan Agreement") by and among the Authority, Rural Water District No. 1, Creek County, Oklahoma (the "District") and American National Bank, Bristow, Oklahoma (the "Bank"); and

WHEREAS, in consideration of the Authority's agreement to acquire, construct and improve the System and to issue its 1981 Note for such purpose, the Town has determined to lease its presently existing and hereafter acquired sanitary sewer System to the Authority to enable the Authority to

secure the payment of the 1981 Note and any additional Parity Bonds or notes by a first mortgage on and senior security interest in its leasehold interest in the System, and the proceeds, fees, charges, revenues, income, rents, receipts, issues and benefits (hereinafter called the "Revenues" and together with the System and this Lease called the "Trust Estate") from the System and the Trust Estate of the Authority; and

WHEREAS, the Town has determined, in conformity with the desires of the Authority, to operate and maintain the System during the term of this Lease and to collect the Revenues therefrom;

NOW, THEREFORE, THE TOWN AND THE AUTHORITY AGREE AS FOLLOWS:

SECTION 1. The Town, in consideration of the agreements of the Authority does and by these presents demises, leases and rents to the Authority the following described property, real or personal or both (herein collectively called the "System") owned by or under the control of the Town as follows:

(1) All of the presently existing sanitary sewer system of the Town and all appurtenances thereof (including without limitation the sanitary sewer collection, treatment and disposal system and facilities) presently belonging to the Town, or under its custody, management or control, located within and without the corporate limits of the Town, together with the rights-of-way, real estate and interests therein, licenses, easements and other rights and privileges appertaining or related thereto and including but not limited to the real property and improvements thereto set out on Schedule A attached hereto and made a part hereof;

(2) All interest of the Town in and to all unexpired leases and contracts heretofore or hereafter executed by the Town pertaining to use of any part of said sanitary sewer system, including revenue and income to be received therefrom and retained by the Town;

(3) All property, real, personal or mixed, together with all rights and privileges appertaining or related thereto which hereafter may be acquired by or in the name of the Town or the Authority for use in connection with furnishing of sanitary sewer service to persons, firms, corporations and others within and without the corporate limits of the Town; it being the intention of this paragraph that any of the foregoing, including income therefrom, immediately upon acquisition shall be a part of the property demised and leased hereunder; and

(4) All interest of the Town in and to proceeds, fees, charges, Revenues, income, rents, receipts, issues and benefits from the use of said sanitary sewer system of the Town;

To have and to hold the same to the Authority for a term of fifty (50) years commencing on October 1, 1981,

and ending September 31, 2031; provided that such term shall be extended beyond September 31, 2031 until the 1981 Note and all other Indebtedness (as defined in the Loan Agreement) secured by and issued pursuant to the Security Documents (as defined in the Loan Agreement) and payable from the Trust Estate, including all additional parity bonds issued pursuant to the terms of and secured by the Security Documents have been retired and paid or provision for the payment thereof has been made; and further provided that such term shall expire prior to September 30, 2031 at the Town's option exercised in writing following the Authority's retirement of such 1981 Note and the payment of all Indebtedness, including all additional parity bonds. Upon expiration of the initial term of this Lease as provided, the term hereof may be extended or renewed for an additional fifty (50) year term at the option of the Authority to the end that the leasehold interest in the System and the interest in the Revenues hereby granted may be pledged as security for additional Indebtedness incurred by the Authority.

The Town hereby consents and agrees that this Lease may be assigned to the Bank and the leasehold interest in the System herein granted to the Authority may be assigned and pledged by the Authority to the Bank as security for the 1981 Note and all additional parity bonds issued under and pursuant to the terms of the Security Documents.

SECTION 2. In consideration of the agreements of the Authority, the Town hereby covenants and agrees during the term of this Lease set out in Section 1 above, as follows:

(1) From Revenues paid by the Authority to the Town as hereinafter provided, to maintain and operate in first class condition, keep in good repair and make necessary replacements, extensions and improvements to the System and from said Revenues to pay all Bank compensation, fees and expenses in accordance with the terms of the Security Documents and from said Revenues to protect and hold the Authority harmless for damages due to injury to person or property arising by reason of the Town's operation, maintenance, repair, replacements, extension and improvements of the System.

(2) To submit to the Authority each month during the term of this Lease, an itemized claim for reimbursement of all costs and expenses of operation, maintenance, repairs, replacements, extensions and improvements of the System including but not limited to the cost of collecting charges for the use of the System, wages and salaries, overhead expenses, cost of routine repairs and replacements, costs of materials and supplies, bank compensation, costs of holding the Authority harmless from damages to person or property arising from the System, and all other costs and expenses of operating, maintaining, and repairing the System arising in the routine and normal course of business, but excluding allowance for depreciation or capital replacements, reserves, improvements or additions and/or payment of Indebtedness (hereinafter together called the "Operation and Maintenance Expenses") during the monthly period preceeding the date of each claim. Nothing herein shall be construed as preventing the Town from waiving the right to claim any eligible item or from forgiving any charge billed by the Town to the Authority.

(3) Not to commit or allow any waste with respect to the System.

(4) To comply faithfully and fully with and abide by every statute, rule, order and regulation now in force or hereafter enacted by any competent government agency or authority with respect to or affecting the System or the operation or maintenance thereof, and to keep the System and the Revenues and all parts thereof free from judgments, mechanics' and materialmens' liens and free from all other mortgages, liens, claims, demands and encumbrances of whatever nature or character to the end that the priority of the mortgage and pledge provided for in the aforesaid Security Documents may at all times be maintained and preserved free from any claim or liability. The provisions set out in this paragraph (4) of this Section 2 shall not prevent the transfer of possession or control of the Trust Estate or any part thereof to temporary trustees or receivers for operation thereof in accordance with the provisions of the Security Documents securing the payment of Indebtedness issued by the Authority.

(5) To carry, as long as any Indebtedness of the Authority secured by a mortgage and pledge of the Authority's leasehold interest in the System and the Revenues therefrom are outstanding, the insurance required to be carried by the Authority under the terms of the Security Documents and to apply the proceeds of any such insurance in accordance with the terms of the Security Documents.

(6) To keep proper books of record and account of all transactions relating to the Trust Estate in accordance with the terms of the Security Documents and to cause statements and audits to be furnished to the Authority and other designated parties in accordance with the terms of the Security Documents.

(7) To promptly institute and diligently prosecute appropriate proceedings in eminent domain for the condemnation of lands or interests therein necessary for construction or acquisition of any improvement or betterment to or extension of the properties of the Trust Estate which has been approved by the governing body of the Town, the costs and expenses of such proceedings, and the award of damages as a result thereof, to be paid by the Authority. Unless otherwise agreed to by the parties hereto, title to all such property shall be taken in the name of the Town and upon acquisition shall become a part of the properties leased to the Authority hereunder and included in the Trust Estate.

(8) To be bound by and keep and perform all covenants, acts and things by it to be kept and performed according to the true intent and meaning of the Security Documents, the Declaration of Trust and this Lease.

SECTION 3. In consideration of the agreements of the Town, the Authority hereby covenants and agrees during the term of this Lease set out in Section 1 above, as follows:

(1) To issue the 1981 Note and to expend the proceeds thereof for the purpose of acquiring, constructing and improving the System, all in accordance with the terms of the Loan Agreement.

(2) To fix a schedule of uniform and nondiscriminatory rates, fees and charges of the use of the System (subject to approval by the governing body of the Town to the extent required by law) such as will provide in any year Revenues sufficient to pay debt service requirements and in addition to pay all Operation and Maintenance Expenses, as defined in Section 2(2) hereof.

(3) To adjust the rates, fees and charges for the services supplied by and the use of the System to reflect uniform changes in such rates, fees and charges requested from time to time by ordinance or resolution of the governing body of the Town, provided that such adjustments and changes in such rates, fees and charges do not in any way impair the ability of the Authority to comply fully with all of the covenants of this Lease and the Security Documents.

(4) To pay or cause to be paid to the Town from Revenues, promptly on or before the end of each month, after meeting monthly debt service requirements as required by the Loan Agreement, the Operation and Maintenance Expenses for the preceding month pursuant to the itemized claims therefor required to be submitted to the Authority by the Town pursuant to Section 2(2) above.

(5) To pay to the Town or cause to be paid to the Town, as directed by the Town, as rental for the System, for deposit in the general fund of the Town and use by the Town for any lawful purpose (i) until retirement of the 1981 Note the sum of \$100.00 per month and (ii) thereafter all Revenues (or the portion thereof requested by the Town) after there has been paid from said Revenues the monthly debt service requirements and Operation and Maintenance Expenses for the preceding month, and any other transfer required by the Security Documents. It is the intent and purpose of the aforesaid that the amount to be received by the Town at all times shall be in excess of all costs, expenses and other things of value which the Town shall be required to expend in performance of this Lease, together with a profit to the Town for performing the same, and it is the contemplation of the parties that the Authority shall fix rates, fees and charges for System services so as to produce not less than the amounts set out in this paragraph.

(6) To issue only such Indebtedness secured by the Trust Estate as may be approved from time to time by ordinance or resolution of the governing body of the Town and as may be permitted by the Security Documents.

(7) To do all things necessary and proper to perform the purposes of the Declaration of Trust within the scope of the powers and duties set forth in the Declaration of Trust and within the scope of the Security Documents securing the payment of Indebtedness issued by the Authority, including the payment of principal, interest and reserve requirements for said Indebtedness as provided in the Security Documents.

(8) To do any and all things required to be done by it under the terms of this Lease, and cooperate with the Town to the end that the System may be efficiently operated and maintained.

SECTION 5. From and after the issuance of the 1981 Note, this Lease shall not be assignable by either party (except that the Authority may assign its interest hereunder as security for the Indebtedness) provided however, that any change of trustees of the Authority, or the taking of possession or control of the leased System for operation thereof in accordance with the provisions of any Security Documents securing the payment of Indebtedness issued by the Authority, shall not be considered as an assignment prohibited by the provisions hereof. This Lease shall not be subject to amendment without the written consent of the Town and the Authority and except in accordance with the terms of the Security Documents.

SECTION 6. Indebtedness issued by the Authority pursuant to the Security Documents shall not constitute an indebtedness of the State of Oklahoma, or of the Town, nor shall such Indebtedness be the personal obligation of the Authority, but such Indebtedness shall be an obligation of the Authority payable solely from the Trust Estate.

SECTION 7. The provisions of this Lease shall be deemed separable. If it shall ever be held by a court of competent jurisdiction that any one or more sections, clauses or provisions of this Lease is invalid or ineffective for any reason, such holding shall not affect the validity and effectiveness of the remaining sections, clauses and provisions hereof.

SECTION 8. The definitions of terms set forth in the Loan Agreement are hereby incorporated herein in full, and shall prevail over any definitions set forth herein in the event of any inconsistency.

SECTION 9. The Authority hereby agrees with the Town that the full legal title to the System and any additions, improvements and extensions thereto hereafter made by the Authority shall be vested in the Town, and the Town agrees that all such additions, improvements and extensions shall become part of the System herein leased to the Authority, to be operated and maintained by the Town in accordance with the terms of this Lease.

SECTION 10. In the event of the Authority's default under the Loan Agreement, which default results in the appointment of temporary or permanent receivers or trustees for the Trust Estate of the Authority, the Town hereby agrees to perform with respect to such receivers or trustees, all covenants and agreements herein undertaken with respect to the Authority.

IN WITNESS WHEREOF, the Town has caused this instrument to be signed by its Mayor and Town Clerk and its seal affixed, and the Trustees have caused this instrument to be signed by its Chairman and Secretary and its seal affixed, all as of the day and year first above written.

THE TOWN OF KELLYVILLE, OKLAHOMA  
(SEAL) ATTEST: Jim H. Davidson Tom Campbell  
Town Clerk Mayor

TRUSTEES OF THE KELLYVILLE PUBLIC WORKS AUTHORITY  
(SEAL) ATTEST: Jim H. Davidson Tom Campbell  
Secretary Chairman



STATE OF OKLAHOMA )  
 ) SS  
COUNTY OF CREEK )

BEFORE ME, the undersigned,, a Notary Public in and for said State, on the 13<sup>th</sup> day of October, 1981, personally appeared Tom Crawford, Mayor and Jim H. Davidson, Town Clerk of the Town of Kellyville, Oklahoma, and to me further known to be the identical persons who subscribed the name of said Town as one of the makers thereof, to the foregoing instrument as its Mayor and Town Clerk, respectively, and acknowledged to me that they executed the same as their free and entirely voluntary act and deed and as the free and voluntary act and deed of said Town for the uses and purposes therein mentioned and set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year aforesaid.

Pat Boomer  
Notary Public

My Commission Expires:  
11-6-83  
(SEAL)

STATE OF OKLAHOMA )  
 ) SS  
COUNTY OF CREEK )

BEFORE ME, the undersigned,, a Notary Public in and for said State, on the 13<sup>th</sup> day of ~~October~~, 1981, personally appeared Tom Crawford, Chairman and Jim H. Davidson, Secretary of of the Kellyville Public Works Authority, and to further known to be the identical persons who subscribed the name of said maker thereof to the foregoing instrument and acknowledged to me that they executed the same as their free and entirely voluntary act and deed and as the free and voluntary act and deed of said Authority for the uses and purposes therein mentioned and set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year aforesaid.

Pat Boomer  
Notary Public

My Commission Expires:  
11-6-83  
(SEAL)

SCHEDULE A

The real property included in the System includes the following lagoon site:

The surface rights only in and to a tract of land in the Northwest Quarter (NW 1/4) of Section 27, Township 17 North, Range 10 East, Creek County, Oklahoma, bounded by a line beginning at the NE Corner of said Northwest Quarter (NW 1/4) of Section 27, THENCE South along the Quarter Section line a distance of 45.21 feet to a point on the right of way line of U.S. Highway 66; THENCE Southwesterly along the right of way line of U.S. Highway 66, 510 feet; THENCE 90°0' to the right for a distance of 624.40 feet to a point; THENCE 44° 15'24" to the right for a distance of 648.90 feet to a point on the East West Section line; THENCE East 1510 feet to the point of beginning; containing 22.4 acres, more or less.

**EXHIBIT F**

**OPINION OF BOND COUNSEL**

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August 1, 2018

We have examined a certified copy of the Transcript of Proceedings of the Trustees of The Kellyville Public Works Authority (the "Authority") preliminary to, and in the issuance of Utility System Refunding Revenue Bonds Series 2018 of the Authority, dated August 1, 2018 (the "Bonds"), in the principal amount of \$770,000.00 and a specimen Bond of the issue, and based upon such examination, it is our opinion that said issue is lawfully authorized by said proceedings under present law. The Bonds are issuable only in registered form in denominations of \$5,000 and, with respect to principal maturing on the same date, integral multiples thereof are exchangeable for other Bonds of the same maturity, bear interest payable on June 1 and December 1 of each year commencing December 1, 2018, until the principal is paid, and mature on December 1 in the years, in the principal amounts and bear interest at the rates all as set forth on the face thereof and in the Indenture hereinafter mentioned.

The items examined included the Declaration of Trust of the Authority dated September 12, 1973, as amended by an Amended Declaration of Trust dated April 1, 2003, Lease dated October 1, 1981, by which the Town of Kellyville, Oklahoma (the "Town"), leased to the Authority all of the Town's then existing and thereafter acquired sanitary sewer system (the "System") for a term extending to September 30, 2031, and so long thereafter as any indebtedness of the Authority secured by the System or its revenues shall remain unpaid, The Kellyville Public Works Authority Series 2018 Revenue Bond Indenture dated August 1, 2018 (the "Indenture"), between the Authority and UMB Bank, N.A., Oklahoma City, Oklahoma, as trustee, the proceedings authorizing execution and delivery of all of the foregoing, and the relevant provisions of the Constitution and Statutes of the State of Oklahoma.

From such examination, it is our opinion that the Authority is a validly existing public trust of which the Town is the beneficiary and, as such, an agency of the State of Oklahoma and regularly constituted authority of the Town, that the Bonds and the aforesaid Indenture are valid and binding obligations of the Authority according to their terms, the Bonds being secured by the net revenues of the System. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934 and the approval of no agency of the State of Oklahoma other than the Authority is required for their issuance. No qualification of the Indenture is required under the Trust Indenture Act of 1939.

It is our further opinion that interest paid by the Authority on the Bonds is and, assuming continuing compliance by the Authority with its hereinafter described covenants to comply with all of the requirements of the Internal Revenue Code of 1986, as amended, contained in the aforesaid Indenture, said interest will continue to be excluded from the gross income of the payees thereof in the computation of federal income taxes under present law and interpretation thereof and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account by corporations in determining adjusted net book income for the purpose of computing the alternative minimum tax imposed on such corporations. In our opinion, the covenants contained in the aforesaid Indenture by which the Authority has agreed to comply with the Internal Revenue Code of 1986, as amended, to the end that interest on the Bonds shall remain exempt from federal income taxes are valid and binding obligations of the Authority and compliance therewith is not prohibited by or violative of any provision of law applicable to the Authority. The failure of the Authority to comply with its aforesaid covenants could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds.

It is our further opinion that interest paid by the Authority on the Bonds is excluded from the gross income of the payees hereof in the computation of State of Oklahoma income taxes.

JOHANNING AND BYROM, P.C.

By  
Paul Johanning

PJ:pe

**EXHIBIT G**

**CONTINUING DISCLOSURE AGREEMENT**

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## **CONTINUING DISCLOSURE AGREEMENT**

THIS CONTINUING DISCLOSURE AGREEMENT (the “Agreement”), made and entered into as of August 1, 2018, by and between The Kellyville Public Works Authority, a public trust (the “Authority”), and UMB Bank, N.A., a national banking association with a corporate office located in Oklahoma City, Oklahoma, as trustee (the “Bank”),

### **WITNESSETH:**

WHEREAS, the Authority has determined to issue and deliver its Utility System Refunding Revenue Bonds Series 2018 in the original aggregate principal amount of not to exceed \$770,000.00 (the “Bonds”), which are secured by and under a Revenue Bond Indenture dated as of August 1, 2018, by and between the Authority and the Bank (the “Indenture”); and

WHEREAS, the Authority must provide certain information for public disclosure purposes relating to the Bonds in order to comply with Securities and Exchange Commission Rule 15c2-12 (the “SEC Rule”); and

WHEREAS, the Authority has determined that in order to comply with the SEC Rule it is necessary and in the best interest of the Trust Estate of the Authority to provide as a “small-issuer” under the SEC Rule a means by which the aforesaid covenants shall be implemented;

NOW, THEREFORE, in consideration of the issuance of the Bonds by the Authority, the acceptance of the trusteeship under the Indenture by the Bank (the “Trustee”), the mutual covenants expressed herein and other good and valuable considerations and for the benefit of the holders of the Bonds, the Authority and the Bank agree as follows:

## ARTICLE I

### INFORMATION AND NOTICE TO BE PROVIDED

#### SECTION 1.           Reporting of Significant Events.

The Authority expressly agrees to provide the Trustee with notice of the occurrence of any of the following events (the "Listed Events") relating to the Series 2018 Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of the United States ("IRS") of a proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) Modifications to rights of security holders;
- (h) Bond calls and tender offers;
- (i) Defeasances;
- (j) Release, substitution, or sale of property securing repayment of the securities;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership, or a similar proceeding by an issuer or a borrower;
- (m) Consummation of a merger, consolidation, acquisition involving a borrower, other than in the ordinary course of business, or the sale of all or substantially all the assets of the issuer or borrower, or the entry into a definitive agreement to engage in such a transaction, or a termination of such an agreement, other than in accordance with its terms, if considered material; and

- (n) Appointment of a successor or additional trustee, or the change in the name of the trustee, if considered material.

When a Listed Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in the above subsections (h) and (i) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds.

SECTION 2.            Notice Given by Trustee.

The Trustee shall, within one (1) business day of obtaining actual knowledge of the occurrence of any of the Listed Events (except events listed in Sections (1a) and (1c) of this Article I), request that the Authority promptly notify the Trustee in writing whether or not to report the event pursuant to Section 4 of this Article I.

SECTION 3.            Reporting Determination.

Whenever the Authority obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee or otherwise, the Authority shall as soon as possible determine if such event would constitute material information for holders of Bonds; PROVIDED, that any rating change on the Bonds will always be deemed to be material. If the Authority has determined that knowledge of the occurrence of a Listed Event would be material, the Authority shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to Section 4 of this Article I. If in response to a request by the Trustee, the Authority determines that the Listed Event would not be material, the Authority shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to Section 4 of this Article I.

SECTION 4.            Information Disseminated by Trustee.

Whenever the Trustee has been instructed by the Authority to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and any applicable

State Repository recognized by the Securities and Exchange Commission. Notwithstanding the foregoing:

- (i) Notice of the occurrence of a Listed Event described in Sections 1(a), (h) and (i) of this Article I shall be given by the Trustee unless the Authority gives the Trustee affirmative instructions not to disclose such occurrence; and
- (ii) Notice of Listed Events described in Sections 1(h) and 1(i) of this Article I need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

#### SECTION 5. Annual Financial Statements.

The Authority expressly agrees to provide the Trustee with annual audited financial statements after the end of the Authority's fiscal year each June 30<sup>th</sup>, on or before the 1st day of January of each year, beginning January 1, 2019. The annual audited financial statements shall reflect audits conducted in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States of America and certified by a Certified Public Accountant or Public Accountant, as defined in the Indenture. The annual audited financial statements shall then be provided by the Trustee to each of the Nationally Recognized Municipal Securities Information Repositories and to any applicable State Information Depository for the State of Oklahoma, respectively, as recognized by the Securities and Exchange Commission, including, but not limited to the Electronic Municipal Market Asset System ("EMMA") of the Municipal Securities Rulemaking Board ("MSRB") and any person who may request such information. All notices, documents and information provided to the MSRB shall be provided in an electronic format at [www.emma.msrb.org](http://www.emma.msrb.org) or as otherwise prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 6.            Dissemination Agents.

The Issuer has engaged the Dissemination Agent to assist it in disseminating information hereunder. The Issuer shall send all annual financial information and event notices required by the Agreement to the Dissemination Agent. Unless otherwise agreed to, the Dissemination Agent shall, as soon as practicable not later than 15 days of receipt of such information forward the same to (i) the MSRB, as described herein and (ii) any registered or beneficial owner of the Bonds who requests such information in writing to the Dissemination Agent or the Issuer. The Dissemination Agent shall have no duty to review the materials described in this paragraph prior to disseminating such materials. The initial Dissemination Agent shall be UMB Bank, N.A., Oklahoma City, Oklahoma. The Issuer may discharge the Dissemination Agent or any successor Dissemination Agent, but in such event shall take steps necessary to appoint a successor Dissemination Agent who shall be responsible for undertaking all responsibilities of dissemination hereunder.

**ARTICLE II**

**MISCELLANEOUS**

SECTION 1.            Amendment; Waiver.

Notwithstanding any other provision of this Agreement, the Authority and the Trustee may amend this Agreement (and the Trustee shall agree to any amendment so requested by the Authority provided such amendment does not materially effect the duties and responsibilities of the Trustee hereunder), and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to both the Authority and the Trustee, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof, but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 2.           Provisions of Indenture Apply.

All of the provisions, including the exculpatory provisions provided in the Indenture, particularly, but not exclusively Article VIII thereof concerning the Bank, apply under this Agreement and are hereby incorporated by reference. All terms not otherwise defined herein shall be used with the respective meanings given such terms in the Indenture.

SECTION 3.           Additional Information.

Nothing in this Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any annual audited financial statement or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Authority chooses to include any information in any annual audited financial statement or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future annual audited financial statement or notice of occurrence of a Listed Event.

SECTION 4.           Termination or Reporting Obligation.

The Authority's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 5.           Severability.

If any clause, provision or section of this Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

SECTION 6.            Counterparts.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 7.            Notices.

As between the Bank and the Authority, all notices, demands, communications and requests which may or are required to be given hereunder or by any party hereto shall be deemed given on the date on which the same shall have been mailed by registered or certified mail, postage prepaid, addressed as follows:

If to the Authority:

The Kellyville Public Works Authority  
Town Hall  
410 East Buffalo Street  
P. O. Box 1260  
Kellyville, Oklahoma 74039-1260

If to the Bank:

UMB Bank, N.A.  
Corporate Trust Department  
204 N. Robinson  
Oklahoma City, Oklahoma 73102

The Authority and the Bank may, by notice given to the other, designate any different addresses to which subsequent notices, demands, requests or communications shall be sent.

SECTION 8.            Successors and Assigns.

The terms, provisions, covenants and conditions of this Agreement shall bind and inure to the benefit of the respective successors and assigns of the Authority and the Bank.

SECTION 9.            Headings.

The headings of this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement.

SECTION 10.         Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of Oklahoma.



IN WITNESS WHEREOF, the Authority has caused this Continuing Disclosure Agreement to be executed by its Chairman of Trustees and attested by its Secretary of Trustees and has caused the seal of the Authority to be affixed hereto, and the Bank for itself, its successors and assigns, as Trustee, has caused this Agreement to be executed by its authorized officer, attested by another authorized officer and has caused its corporate seal to be affixed hereto, all as of the day, month and year first above written.

THE KELLYVILLE PUBLIC WORKS  
AUTHORITY

By \_\_\_\_\_  
Chairman of Trustees

ATTEST: (Seal)

\_\_\_\_\_  
Secretary of Trustees

UMB BANK, N.A., OKLAHOMA CITY,  
OKLAHOMA, as Trustee

By \_\_\_\_\_  
(Title) \_\_\_\_\_

ATTEST: (Seal)

\_\_\_\_\_  
(Title) \_\_\_\_\_

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