

PRELIMINARY OFFICIAL STATEMENT

**NEW ISSUE
BANK QUALIFIED**

**NON RATED
[BOOK-ENTRY ONLY]**

In the opinion of Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Series A, 2019 Bonds [(including any original issue discount properly allocable to an owner thereof)] is: (a) excludable from gross income for federal income tax purposes; and (b) not an item of tax preference for purposes of the federal alternative minimum tax. The interest on the Series A, 2019 Bonds is exempt from income taxation by the State of Kansas. The Series A, 2019 Bonds are "qualified tax-exempt obligations" within the meaning of Code § 265(b)(3). See "TAX MATTERS – Opinion of Bond Counsel" herein

\$470,000*

**KANSAS RURAL WATER FINANCE AUTHORITY
REFUNDING REVENUE BONDS
SERIES A, 2019
(Rural Water District No. 1, Washington County, Kansas)**

Dated: November 1, 2019

Due: October 1, as shown herein

The Series A, 2019 Bonds (the "Series A, 2019 Bonds") will be issued by the Kansas Rural Water Finance Authority (the "Authority") pursuant to a Bond Resolution adopted by the Authority on October 15, 2019 (the "Resolution"), as fully registered bonds, without coupons, [and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series A, 2019 Bonds. Purchases of the Series A, 2019 Bonds will be made in book-entry form,] in the denominations of \$5,000 or any integral multiple thereof (the "Authorized Denomination"). [Purchasers will not receive certificates representing their interests in Series A, 2019 Bonds purchased. So long as Cede & Co. is the registered owner of the Series A, 2019 Bonds, as nominee of DTC, references herein to the Series A, 2019 Bond owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Series A, 2019 Bonds]. Principal will be payable upon presentation and surrender of the Series A, 2019 Bonds by the registered owners thereof at the office of the Treasurer of the State of Kansas, Topeka, Kansas, as bond registrar and paying agent (the "Paying Agent" and "Bond Registrar"). Interest payable on each Series A, 2019 Bond shall be paid to the persons who are the registered owners of the Series A, 2019 Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding each interest payment date by check or draft of the Paying Agent mailed to such registered owner or, in the case of an interest payment to a registered owner of \$500,000 or more in aggregate principal amount of Series A, 2019 Bonds, by electronic transfer. [So long as DTC or its nominee, Cede & Co., is the Owner of the Series A, 2019 Bonds, such payments will be made directly to DTC. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners.] Principal of the Series A, 2019 Bonds will be payable annually on October 1, beginning on October 1, 2020, and semiannual interest will be payable on April 1 and October 1, beginning on April 1, 2020.

The principal of, and interest on the Series A, 2019 Bonds are payable solely and only from the Net Revenues (as defined in the Resolution) which have been pledged to the Authority by Rural Water District No. 1, Washington County, Kansas (the "District"), under the provisions of a Pledge of Revenues Agreement dated as of November 1, 2019 (the "Pledge Agreement"), between the Authority and the District (see "THE SERIES A, 2019 BONDS - Security for the Series A, 2019 Bonds" herein). The Series A, 2019 Bonds do not constitute, nor shall they be construed to be, a general obligation of the State of Kansas, the Authority, the District, or any other governmental entity.

MATURITY SCHEDULE*
(See inside cover page)

The Series A, 2019 Bonds maturing October 1, 2025 and thereafter are subject to optional redemption beginning October 1, 2024 as described herein (see "THE SERIES A, 2019 BONDS - Optional Redemption" herein).

This cover page contains only a brief description of the Series A, 2019 Bonds and the security therefore. It is not intended to be a summary of material information with respect to the Series A, 2019 Bonds. Investors must read this entire Preliminary Official Statement to obtain information essential to the making of an informed investment decision and should give particular attention to the matters referred to under the caption "INVESTMENT CONSIDERATIONS."

The Series A, 2019 Bonds are offered when, as and if issued and delivered by the Authority to the Underwriter, subject to the receipt of the approving legal opinion of Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. It is expected that the Series A, 2019 Bonds will be available for delivery [through the facilities of DTC in New York, New York] on or about November 1, 2019.

**SEALED PROPOSALS WILL BE ACCEPTED ON BEHALF OF
RURAL WATER DISTRICT NO. 1, WASHINGTON COUNTY, KANSAS
ON OCTOBER 15, 2019 UNTIL 11:00 A.M. (CDT) BY:
RANSON FINANCIAL GROUP, L.L.C.
AT 200 W. DOUGLAS, STE. 600
WICHITA, KS 67202,
VOICE (316) 264-3400 FAX (316) 265-5403**

The date of this Preliminary Official Statement is September 9, 2019.

* Subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$470,000*
KANSAS RURAL WATER FINANCE AUTHORITY
REFUNDING REVENUE BONDS
SERIES A, 2019
(Rural Water District No. 1, Washington County, Kansas)

MATURITY SCHEDULE

<u>Stated Maturity October 1</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Price or Yield</u>	<u>CUSIP ⁽¹⁾</u> <u>Base:485328</u>
2020	\$40,000	_____ %	_____ %	
2021	35,000	_____ %	_____ %	
2022	35,000	_____ %	_____ %	
2023	40,000	_____ %	_____ %	
2024	40,000	_____ %	_____ %	
2025	40,000	_____ %	_____ %	
2026	45,000	_____ %	_____ %	
2027	45,000	_____ %	_____ %	
2028	45,000	_____ %	_____ %	
2029	50,000	_____ %	_____ %	
2030	55,000	_____ %	_____ %	

* Subject to change.

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

KANSAS RURAL WATER FINANCE AUTHORITY

Board of Representatives

Patricia Schlesener, President
Darrell Schlabach, Vice President
Gerald Bennett, Director
Allan Soetaert, Director
Elmer Ronnebaum, Secretary & Treasurer

Member Public Agencies

Allen County Rural Water District No. 8
Anderson County Consolidated Rural Water District No. 1
Anderson County Rural Water District No. 2
Anderson County Rural Water District No. 4
Atchison County Rural Water District No. 5
Barber County Rural Water District No. 3
Brown County Rural Water District No. 1
Brown County Rural Water District No. 2
Butler County Rural Water District No. 5
Butler County Rural Water District No. 7
Cherokee County Rural Water District No. 8
Clay County Rural Water District No. 2
Coffey County Rural Water District No. 3
Comanche County Rural Water District No. 2
Crawford County Rural Water District No. 1
Crawford County Rural Water District No. 6
Dickinson County Rural Water District No. 1
Dickinson County Rural Water District No. 2
Ellis County Rural Water District No. 7
Franklin County Rural Water District No. 4
Geary County Rural Water District No. 4
Greenwood County Rural Water District No. 1
Harvey County Rural Water District No. 1
Harper County Rural Water District No. 5
Jackson County Rural Water District No. 3
Jefferson County Rural Water District No. 13
Jewell County Rural Water District No. 1
Johnson County Rural Water District No. 7
Jefferson County Rural Water District No. 2
Jefferson County Rural Water District No. 3
Jefferson County Rural Water District No. 7
Jefferson County Rural Water District No. 12
Jefferson County Rural Water District No. 13
Kingman County Rural Water District No. 1

Leavenworth County Rural Water District No. 7
Marion County Rural Water District No. 1
Marshall County Rural Water District No. 3
McPherson County Rural Water District No. 6
Miami County Rural Water District No. 2
Mitchell County Rural Water District No. 2
Mitchell County Rural Water District No. 3
Montgomery County Rural Water District No. 2
Montgomery County Rural Water District No. 4
Montgomery County Rural Water District No. 14
Morris County Rural Water District No. 1
Nemaha County Rural Water District No. 3
Nemaha County Rural Water District No. 4
Osage County Rural Water District No. 3
Osage County Rural Water District No. 8
Ottawa County Rural Water District No. 2
Pottawatomie County Rural Water District No. 2
Pottawatomie County Rural Water District No. 3
Pottawatomie County Rural Water District No. 4
Republic County Rural Water District No. 2
Rice County Rural Water District No. 1
Saline County Rural Water District No. 7
Shawnee County Cons. Rural Water District No. 3
Shawnee County Rural Water District No. 7
Smith County Rural Water District No. 1
Sumner County Rural Water District No. 5
Trego County Rural Water District No. 1
Washington County Rural Water District No. 1
Washington County Rural Water District No. 2
City of Colony
City of Toronto
Public Wholesale Water Supply District No. 4
Public Wholesale Water Supply District No. 5
Public Wholesale Water Supply District No. 6

Bond Counsel

Gilmore & Bell, P. C.
Wichita, Kansas

Financial Advisor

Ranson Financial Group, L.L.C.
Wichita, Kansas

Paying Agent/Bond Registrar

Treasurer of the State of Kansas
Topeka, Kansas

Underwriter

REGARDING THIS PRELIMINARY OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Kansas Rural Water Finance Authority (the "Authority"), Rural Water District No. 1, Washington County (the "District), or by _____ (the "Underwriter") to give any information or to make any representations other than those contained in this Preliminary Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the Authority, the District, the Financial Advisor or the Underwriter.

This Preliminary Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor will there be any sale of the Series A, 2019 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the District since the date hereof.

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\$470,000*
KANSAS RURAL WATER FINANCE AUTHORITY
REFUNDING REVENUE BONDS
Series A, 2019
(Rural Water District No. 1, Washington County, Kansas)

INTRODUCTION

General Matters

This Preliminary Official Statement, including the cover page and appendices hereto (the "Preliminary Official Statement"), is provided to furnish information with respect to the Kansas Rural Water Finance Authority (the "Authority") and the issuance and delivery of its Refunding Revenue Bonds, Series A, 2019 (Rural Water District No. 1, Washington County, Kansas) (the "District") (the "Series A, 2019 Bonds"), in the aggregate principal amount of \$470,000*. The Series A, 2019 Bonds are being issued pursuant to Bond Resolution No. ____ adopted by the Authority on October 15, 2019 (the "Resolution"). The Series A, 2019 Bonds are being issued for providing funds to prepay and refinance certain loans of the District, which were used to finance additions and improvements to the water utility system of the District as more fully described in "The Refunding Plan" herein.

The Authority is a body corporate and politic of the State of Kansas organized pursuant to K.S.A. 12-2901 *et seq.*, as amended (the "Act"). The Authority is authorized pursuant to the Act and the Resolution to issue bonds on behalf of the District for the benefit of the operation and management of the water distribution System (the "System") owned and operated by the District (see "THE KANSAS RURAL WATER FINANCE AUTHORITY" herein).

Pursuant to the Pledge Agreement, the Net Revenues of the System will be pledged by the District to the Authority to secure the payment of the principal of, redemption premium, if any, and interest on the Series A, 2019 Bonds as well as any other Parity Obligations. The Series A, 2019 Bonds are payable solely and only from the Net Revenues received by the District from the operation of the System pursuant to the Pledge Agreement and not from any other fund or source of the Authority or the District. Pursuant to the Resolution, the Authority will pledge and assign such Net Revenues to the payment of the Series A, 2019 Bonds and interest thereon on a parity of lien basis with, any Additional Bonds or any other Parity Obligations.

Definitions

Certain capitalized terms used in this Preliminary Official Statement and not otherwise defined herein shall have the meanings given to such terms under the heading "DEFINITIONS OF WORDS AND TERMS" herein.

Continuing Disclosure

The Securities and Exchange Commission (the "SEC") has promulgated amendments to Rule 15c2-12 (the "Rule"), requiring continuous secondary market disclosure. The Issuer and District are relying on a provision of the Rule that exempts issues of less than \$1,000,000 aggregate principal amount from the requirements of the Rule and therefore neither has covenanted to provide continuous secondary market disclosure. However, the District obtains an audit of its annual financial statements by independent auditors, and intends to supply its most recent audited financial statements to the Underwriter and any Bondowner upon written request and reimbursement to the District of the costs of the photocopying and mailing. For a discussion of the impact of the absence of continuous disclosure on the secondary market for the Series A, 2019 Bonds, see the section captioned "RISK FACTORS AND INVESTMENT CONSIDERATIONS" herein.

* Subject to change.

THE SERIES A, 2019 BONDS

General

The Series A, 2019 Bonds will be issued as fully registered [book-entry only] Bonds in the denomination of \$5,000 each or integral multiples thereof not exceeding the principal amount of the Series A, 2019 Bonds maturing on any Principal Payment Date. The Series A, 2019 Bonds will be dated November 1, 2019 and will mature, subject to prior redemption, in the years and amounts as shown on the inside cover page hereof and will bear interest from their dated date at the rates shown on the inside cover page. The principal of, redemption premium, if any, and interest on the Series A, 2019 Bonds will be payable in lawful money of the United States of America by check or draft of the Treasurer of the State of Kansas, Topeka, Kansas (the "Paying Agent" and "Bond Registrar"). Interest on the Series A, 2019 Bonds will be payable by check or draft of the Paying Agent to the registered owners of the Series A, 2019 Bonds at the address of each registered owner shown on the registration records maintained by the Bond Registrar as of the fifteenth day of the month preceding the interest payment date in which such interest payment is due. All amounts payable with respect to the Series A, 2019 Bonds will be paid only from (a) the Net Revenues and (b) all amounts from time to time deposited in the funds and accounts created under or described by the Pledge Agreement, including the proceeds received from the sale of the Series A, 2019 Bonds and investment earnings on amounts from time to time on deposit in such funds and accounts (less any amounts deposited into the Rebate Fund). The Series A, 2019 Bonds will be transferable at the office of the Bond Registrar. The Authority has agreed to pay the fees, charges and expenses of the Bond Registrar, which fees, charges and expenses shall include all costs incurred in connection with the issuance, transfer, exchange, registration, redemption or payment of the Series A, 2019 Bonds, except (a) the reasonable fees and expenses in connection with the replacement of any Series A, 2019 Bond or Series A, 2019 Bonds mutilated, stolen, lost or destroyed, or (b) any tax or other governmental charge imposed in relation to the transfer, exchange, registration, redemption or payment of the Series A, 2019 Bonds. Such additional costs shall be paid by the Owners of the Series A, 2019 Bonds. The Bond Registrar will not be required (a) to issue, transfer or exchange any Series A, 2019 Bonds during the period of 15 days immediately preceding any Payment Date; or (b) to issue, transfer or exchange any Series A, 2019 Bonds after the date specified in the notice of redemption (which shall be not less than 15 calendar days immediately preceding the mailing of the notice of redemption).

[SO LONG AS CEDE & CO., REMAINS THE REGISTERED OWNER OF THE SERIES A, 2019 BONDS, THE PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES. See "THE SERIES A, 2019 BONDS – Book-Entry Bonds; Securities Depository."]

Security for the Series A, 2019 Bonds

The Series A, 2019 Bonds and the interest thereon are limited obligations of the Authority payable solely and only from a pledge of the Net Revenues of the System pursuant to the Pledge Agreement, and, in certain circumstances, from Series A, 2019 Bond proceeds from insurance and condemnation awards, and are secured by a pledge by the Authority of the Pledged Property in favor of the Owners of the Series A, 2019 Bonds, on a parity of lien basis with any Additional Bonds or other Parity Obligations that may be issued.

The District covenants and agrees that it shall fix, revise, charge and collect rates, fees and charges for water sold and distributed through the System so as to provide sufficient Net Revenues equal to at least 125% of the current year's principal and interest requirements on the Series A, 2019 Bonds and all other debt obligations secured by the Net Revenues of the System, including any Additional Bonds or other Parity Obligations, as provided in the Pledge Agreement.

THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE AUTHORITY, THE DISTRICT, THE STATE OF KANSAS OR ANY POLITICAL SUBDIVISION THEREOF, AND ARE NOT PAYABLE IN ANY MANNER FROM THE LEVY OF AD VALOREM TAXES LEVIED BY THE STATE OF KANSAS OR ANY POLITICAL SUBDIVISION THEREOF.

Additional Bonds

The Resolution provides that the Authority may issue Additional Bonds from time to time payable from the Net Revenues of the System on a parity of lien basis with the Series A, 2019 Bonds (with such Additional Bonds, collectively, the "Bonds"), Outstanding under the Resolution and other Parity Obligations of the District without notice to or consent from the Owners of other Bonds Outstanding. A description of the conditions to issuance of such Additional Bonds is set forth herein under "SUMMARY OF THE RESOLUTION - Additional Bonds." The District may also issue its own obligations to be secured on a parity of lien basis with the Bonds and other Parity Obligations upon satisfaction of such conditions and notice to the Authority.

Optional Redemption

The Series A, 2019 Bonds, including portions thereof, maturing on October 1, 2025 and thereafter are subject to redemption and payment prior to maturity, at the option of the Authority, upon instructions from the District, on and after October 1, 2024 as a whole or in part, on any date, at a redemption price of par value of the principal amount thereof, plus accrued interest thereon to the date of redemption, without premium.

Selection of Bonds to be Redeemed

Bonds shall be redeemed only in the principal amount of \$5,000 or integral multiples thereof. If less than all of the Series A, 2019 Bonds are to be called for redemption and payment prior to maturity, the particular Bonds or portions of Bonds to be redeemed will be redeemed in inverse order of maturity, and by lot within maturities. Bonds of less than a full maturity to be selected by the Bond Registrar in \$5,000 units of face value in such equitable manner as it may determine. Interest on Bonds so redeemed will be paid from the amount then available to Bonds.

Notice of Redemption

Notice of the call for any redemption identifying the Series A, 2019 Bonds or portions thereof to be redeemed shall be given by the Bond Registrar, in the name of the Authority, by mailing a copy of the redemption notice at least 30 days prior to the date fixed for redemption to the Underwriter and to the Owner of each Bond to be redeemed at the address shown on the registration books maintained by the Bond Registrar; provided, however, that failure to give such notice by mailing as aforesaid, or any defect therein, shall not affect the validity of any proceedings for the redemption of the Series A, 2019 Bonds. Any notice of redemption shall state the date of redemption, the place or places at which such Bonds shall be presented for payment, the series, maturities and numbers of the Series A, 2019 Bonds or portions of Bonds to be redeemed and the principal amount thereof being redeemed, the redemption price and shall state that interest on the Series A, 2019 Bonds described in such notice will cease to accrue from and after the redemption date.

[For so long as the Securities Depository is effecting book-entry transfers of the Series A, 2019 Bonds, the Bond Registrar shall provide the notices specified to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Bond Registrar, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.]

Bond Registrar's Duty to Redeem Bonds

The Bond Registrar shall call Bonds for redemption and payment and shall give notice of redemption as provided in the Resolution upon receipt by the Bond Registrar at least 45 days prior to the redemption date of a written request of the Authority together with the consent or request of the District. Such request shall specify the principal amount of and the respective maturities of the Series A, 2019 Bonds to be called for redemption, the applicable redemption price or prices and the provision or provisions of the Resolution pursuant to which such Bonds are to be called for redemption.

Effect of Call for Redemption

Prior to the date fixed for redemption, funds or Government Obligations, as defined in the Resolution, shall be deposited with the Paying Agent in an amount sufficient to provide for the payment of the Series A, 2019 Bonds called for redemption, accrued interest thereon to the redemption date and the redemption premium, if any. Upon the deposit of such funds or Government Obligations, and notice having been given as provided in the Resolution, the Series A, 2019 Bonds or portions of Bonds thus called for redemption shall cease to bear interest on the specified redemption date and shall not longer be entitled to the protection, benefit or security of the Resolution and not be deemed to be Outstanding after the provisions of the Resolution.

Continuing Disclosure

The Securities and Exchange Commission (the "SEC") has promulgated amendments to Rule 15c2-12 (the "SEC Rule"), requiring continuous secondary market disclosure. The District is relying on a provision of the Rule that exempts issues of less than \$1,000,000 aggregate principal amount from the requirements of the SEC Rule and therefore has **not** covenanted to provide continuous secondary

market disclosure. For a discussion of the impact of the absence of continuous disclosure on the secondary market for the Series A, 2019 Bonds, see the section captioned “ INVESTMENT CONSIDERATIONS—Market for the Series A, 2019 Bonds” herein.

[Book-Entry Bonds: Securities Depository

The Series A, 2019 Bonds shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Series A, 2019 Bonds, except in the event the Bond Registrar issues Replacement Bonds. It is anticipated that during the term of the Series A, 2019 Bonds, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, premium, if any, and interest on, the Series A, 2019 Bonds to the Participants until and unless the Bond Registrar authenticates and delivers Replacement Bonds to the Beneficial Owners as described in the following paragraphs.

The Issuer may decide, subject to the requirements of the Operational Arrangements of DTC (or a successor Securities Depository), and the following provisions of this section to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository):

(a) If the Issuer determines (1) that the Securities Depository is unable to properly discharge its responsibilities, or (2) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, or (3) that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Series A, 2019 Bonds; or

(b) if the Bond Registrar receives written notice from Participants having interest in not less than 50% of the Series A, 2019 Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Series A, 2019 Bonds, then the Bond Registrar shall notify the Owners of such determination or such notice and of the availability of certificates to owners requesting the same, and the Bond Registrar shall register in the name of and authenticate and deliver Replacement Bonds to the Beneficial Owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (a)(1) or (a)(2) of this paragraph, the Issuer, with the consent of the Bond Registrar, may select a successor securities depository in accordance with the following paragraph to effect book-entry transfers.

In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Bond Registrar, to the extent applicable with respect to such Replacement Bonds. If the Securities Depository resigns and the Issuer, the Bond Registrar or Owners are unable to locate a qualified successor of the Securities Depository, then the Bond Registrar shall authenticate and cause delivery of Replacement Bonds to Owners, as provided herein. The Bond Registrar may rely on information from the Securities Depository and its Participants as to the names of the Beneficial Owners of the Series A, 2019 Bonds. The cost of printing, registration, authentication, and delivery of Replacement Bonds shall be paid for by the Issuer.

In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, the Issuer may appoint a successor Securities Depository provided the Bond Registrar receives written evidence satisfactory to the Bond Registrar with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Bond Registrar upon its receipt of a Bond or Bonds for cancellation shall cause the delivery of the Series A, 2019 Bonds to the successor Securities Depository in appropriate denominations and form as provided in the Bond Resolution.]

[THE DEPOSITORY TRUST COMPANY

1. The Depository Trust Company (“DTC”, New York, New York, will act as securities depository for the Series A, 2019 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each scheduled maturity of the Series A, 2019 Bonds, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series A, 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series A, 2019 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series A, 2019 Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series A, 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series A, 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Series A, 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series A, 2019 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series A, 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Series A, 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing

instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series A, 2019 Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

10. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

SOURCES AND USES OF FUNDS

Sources of Funds	
Principal Amount of Bonds*	\$470,000.00
Existing Bond Reserve	
Issuer Cash	_____
Total Sources of Funds	\$
Uses of Funds	
Redemption Fund	\$
New Bond Reserve	
Underwriter’s Discount	
Costs of Issuance	_____
Total Uses of Funds	\$

* Subject to change.

INVESTMENT CONSIDERATIONS

THE PURCHASE OF THE SERIES A, 2019 BONDS IS SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES A, 2019 BONDS IS ENCOURAGED TO READ THIS PRELIMINARY OFFICIAL STATEMENT IN ITS ENTIRETY, AND TO GIVE PARTICULAR ATTENTION TO THE FACTORS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF DEBT SERVICE ON THE SERIES A, 2019 BONDS, AND WHICH COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES A, 2019 BONDS TO AN EXTENT THAT CANNOT BE DETERMINED. THIS DISCUSSION OF RISK FACTORS IS NOT, AND IS NOT INTENDED TO BE, EXHAUSTIVE.

Security for the Series A, 2019 Bonds

The Series A, 2019 Bonds are special limited obligations of the Authority. Neither the Series A, 2019 Bonds nor the interest thereon constitute a general obligation or indebtedness of, nor is the payment thereof guaranteed by the Authority or any governmental subdivision, agency or instrumentality. The Series A, 2019 Bonds are not payable in any manner from tax revenues. The Series A, 2019 Bonds and the interest thereon are payable solely and only from the revenues received by the Authority from the District and not from any other fund or source (except to the extent paid out of monies attributable to Series A, 2019 Bond proceeds and the investment thereof) and, under certain circumstances, the proceeds of sale, insurance, condemnation awards or payments if any, received pursuant to the Resolution and Pledge Agreement.

Suitability of Investment

An investment in the Series A, 2019 Bonds involves a certain degree of risk and is speculative in nature. The tax-exempt feature of the Series A, 2019 Bonds is obviously more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with his or her individual tax rate. Each prospective investor should carefully examine this Preliminary Official Statement, including the Appendices hereto, and his own financial condition in order to make a judgment as to his ability to bear the economic risk of such an investment, and to determine whether or not the Series A, 2019 Bonds are an appropriate investment.

Debt Service Source

The Series A, 2019 Bonds are payable solely and only from the revenues received by the Authority from the District and not from any other fund or source (except to the extent paid out of monies attributable to Series A, 2019 Bond proceeds and the investment thereof) and, under certain circumstances, the proceeds of sale, insurance, condemnation awards or payments if any, received pursuant to the Resolution and Pledge Agreement. While the future ability of the District to meet its obligations under the Pledge Agreement is based upon assumptions and business judgments which the Authority and District believe are reasonable and appropriate, they are subject to conditions which may change in the future to an extent that presently cannot be determined. Thus, no assurance can be given that revenues will be realized by the District in amounts sufficient to pay the principal of and interest on the Series A, 2019 Bonds as they become due.

Bond Reserve Account

Pursuant to the Bond Resolution and Pledge Agreement, an amount equal to the Bond Reserve Requirement will be deposited in the Bond Reserve Account. Moneys in the Bond Reserve Account may be invested in certain Investment Obligations. Moneys, including such Investment Obligations, may be applied to prevent default in payment of the principal of and interest on the Bonds in accordance with the Bond Resolution and Pledge Agreement in the event funds on hand in the Principal and Interest Account are insufficient to provide funds for payments due on any Bond payment date. In the event the District is required to sell such Investment Obligations for such purpose, the price realized upon such sale may not equal the Bond Reserve Requirement.

In the event of a default by the District under the Pledge Agreement, moneys deposited in the Bond Reserve Account may, under certain circumstances and, ordinarily under the supervision of and under order of the courts, be applied for purposes other than payment of the Bonds. Such purposes may include preservation of and security for the District's System, maintenance of insurance, payment of expenses incurred in attempting to operate the System and payment of other similar costs.

Economic Conditions

Operation of the District's System is subject to changes in the general economic conditions and the supply and demand for water in the area within the District, which are not within the District's control. Adverse changes could impair the District's ability to meet its obligations.

Water Supply

The District currently has sources of supply of water, including its own wells, which are adequate, in the opinion of the District's board of directors, to satisfy both present demand and that of the foreseeable future. If the District's present and anticipated future supplies of water should fail or be significantly diminished, whether through drought, depletion or pollution, the District has no assurance that it can procure alternate sources at reasonable cost. Without its present and anticipated future water supply resources, the District would not be able to meet its debt obligations in the manner anticipated.

Market for the Series A, 2019 Bonds

There is no established secondary market for the Series A, 2019 Bonds, and there is no assurance that a secondary market will develop for the purchase and sale of the Series A, 2019 Bonds. The absence of continuing disclosure of financial or other information pertaining to the District may impair the development of a secondary market for the Series A, 2019 Bonds and could impair the ability of an owner to sell the Series A, 2019 Bonds in the secondary market. It is the present practice of the Underwriter however, to make a secondary market as dealers in issues of municipal bonds, which the Underwriter distributes. The Underwriter intends to continue this practice with respect to the Series A, 2019 Bonds, but is not obligated to do so. Prices of municipal bonds traded by the Underwriter

in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets and changes in operating performance of the District. From time to time it may be necessary for the Underwriter to suspend indefinitely secondary market trading in selected issues of municipal bonds as a result of the financial condition or market position of the Underwriter, prevailing market conditions, lack of adequate current financial information about the District, or a material adverse change in the operations of that District, whether or not the subject bonds are in default as to principal and interest payments, and other factors which in the opinion of the Underwriter may give rise to uncertainty concerning prudent secondary market practices.

State and Federal Regulation

The rates, fees and charges for service through the System as currently constructed and operated will be exempt from rate regulation by the Kansas Corporation Commission. The precise nature and extent future governmental regulation and the resulting impact of such regulation on the operation and profitability of the System cannot now be determined.

Taxation of Interest on the Series A, 2019 Bonds

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Series A, 2019 Bonds is excluded from gross income for federal income tax purposes under current provisions of the Code, and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Series A, 2019 Bonds includable in gross income for federal income tax purposes.

The Authority has covenanted in the Resolution and in other documents and certificates to be delivered in connection with the issuance of the Series A, 2019 Bonds to comply with the provisions of the Code, including those, which require the Authority to take or omit to take certain actions after the issuance of the Series A, 2019 Bonds. Because the existence and continuation of the excludability of the interest on the Series A, 2019 Bonds depends upon events occurring after the date of issuance of the Series A, 2019 Bonds, the opinion of Bond Counsel described under "TAX MATTERS" assumes the compliance by the Authority with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Series A, 2019 Bonds in the event of noncompliance with such provisions. The failure of the Authority to comply with the provisions described above may cause the interest on the Series A, 2019 Bonds to become includable in gross income as of the date of issuance.

THE KANSAS RURAL WATER FINANCE AUTHORITY

The Kansas Rural Water Finance Authority is a body corporate and politic of the State of Kansas organized pursuant to K.S.A. 12-2901 *et seq.*, as amended. The Authority was created for the primary purpose of enhancing the ability of rural water districts and other public agencies in Kansas operating water and/or wastewater systems to finance capital improvements for their respective projects and to meet other financing needs.

The powers of the Authority are vested primarily in the Board of Representatives, consisting of five members elected by the full membership of the Authority.

The names, offices and residences of the members of the Authority's Board and the dates of expiration of their terms are as follows:

<u>Name</u>	<u>Office Position</u>	<u>Term Expires</u>	<u>Residence</u>
Patricia Schlesener	President	2020	Abilene, Kansas
Darrell Schlabach	Vice President	2020	Hanover, Kansas
Gerald Bennett	Director	2019	Baldwin City, Kansas
Allan Soetaert	Director	2021	Gardner, Kansas
Elmer Ronnebaum	Secretary/ Treasurer	2019	Baileyville, Kansas

The Authority has the rights, powers and privileges and is subject to the duties provided by the Act and by the Interlocal Cooperation Agreement creating it, including the borrowing of money and issuance of notes, bonds and other obligations, the making of secured or unsecured loans for any of the purposes for which it may issue bonds and the provision of technical assistance and advice regarding financing to its members and entering into contracts with other political subdivisions or private parties to provide such services.

**RURAL WATER DISTRICT NO. 1,
WASHINGTON COUNTY, KANSAS**

Organization

Rural Water District No. 1, Washington County, Kansas (the “District”) was organized through the adoption of its original By-Laws in 1970. The District serves an area with an estimated population of 2,391 and provides water to a total of 644 customers including approximately 585 residential customers and 58 other customers in rural areas of Washington County, and the Cities of Hanover and Morrowville in north-central Kansas.

The System

The District’s water distribution system (the “System”) was originally constructed in 1975. The System consists of water transmission lines and related standpipes, pumps, and other appurtenances necessary to deliver water service to its customers. The District serves an area of approximately 169 square miles which is located approximately 100 miles northeast of the City of Salina includes the small towns of Hanover, Morrowville, Bremen, Herkimer, and Hollenberg for whom the District supplies water (not all residents in these communities are considered customers of the District). The District is located within Washington and Marshall counties.

Operation and Management

The District is governed by a seven-member Board of Directors (the “Board”). The District also employs a Manager-Operator and a Bookkeeper to provide professional financial, administrative and operations’ management services. Present officers and officials of the District are:

<u>Officers and Board Members</u>	<u>Term Expires</u>
Chairperson Mike Meyer	2022
Vice Chairman Mark Gugeham	2021
Board Member Ryan Tjaden	2021
Board Member Curtis Rengstorf	2021
Board Member Duane Bruna	2023
Board Member Gary Holle	2022
Treasurer/Secretary Doug Gerleve	2023
<u>District Employees</u>	
Operator/Manager Darrell Schlabach	N/A
Operator Jeff Schlabach	N/A
Bookkeeper Pamela Goeckel	N/A
Auditor Bruna Auditing Services LLC	N/A
Engineer Schwab & Eaton	
District Attorney Darrel Spain, Esq.	N/A

Sources of Water Supply

The District receives its water from sixteen wells.

Rate Structure

<u>Gallons</u>	<u>Minimum</u>	<u>Step Charge</u>
1-4,000	\$22.50	\$24.00
4,001-8,000	22.50	24.25
8,001-10,000	22.50	24.50
10,001-15,000	22.50	24.75
15,001-50,000	22.50	25.25
50,001-100,000	22.50	25.50
100,001-150,000	22.50	25.50
150,001 and over	22.50	25.75

The current rate structure shown above went into effect in February 2016. Prior to the current rate structure, the District's previous rate increases took place in 2015, 2014, 2013 and 2012.

The Board has established that its water improvements be allocated into a suitable number of benefit units, and has sold these units to landowners in the District desiring a benefit from the District's improvements. The cost for a benefit unit has been set at \$2,600.

Number of Customers

<u>Year</u>	<u>Customers</u>
2018	667
2017	676
2016	667
2015	660
2014	661

The District sells water to the Cities of Hanover and Morrowville.

Sales History

A five-year history of water pumped and sold for the time period listed is shown below:

<u>Year</u>	<u>Gallons Produced</u>	<u>Gallons Sold/Used</u>	<u>Total Gallons Flush/Accounted For</u>	<u>Lost and Unaccounted for Water</u>	<u>% Loss</u>
2018	102,756,000	90,669,000	3,617,000	9,470,000	9.22%
2017	106,049,000	86,437,000	3,183,000	16,429,000	15.49%
2016	101,411,000	84,932,000	8,802,000	7,677,000	7.57%
2015	98,199,000	83,168,000	8,802,000	6,229,000	6.34%
2014	105,754,000	89,144,000	9,679,000	6,931,000	6.55%

THE REFUNDING PLAN

The proceeds of the Series A, 2019 Bonds will be used to refund on a current basis \$1,110,000 principal amount of the Authority's Revenue Bonds, Series B, 2010 (Rural Water District No. 1, Washington County, Kansas).

INDEBTEDNESS OF THE DISTRICT

**REVENUE BONDS OUTSTANDING
(As of November 1, 2019)**

<u>Description of Indebtedness</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Revenue Bonds, Series B, 2010 ⁽¹⁾	07/01/2010	10/01/2030	\$1,695,000	\$ 0
Refunding Revenue Bonds, Series A, 2019 ⁽²⁾	11/01/2019	10/01/2030	470,000	<u>470,000</u>
TOTAL				\$470,000

⁽¹⁾ Issue being refunded by the Series A, 2019 Bonds.

⁽²⁾ This Issue and subject to change.

CAPITAL LEASE OBLIGATIONS

As of November 1, 2019, the District had no outstanding capital lease obligations.

LOAN OBLIGATIONS

As of November 1, 2019, the District had no outstanding loan obligations.

Debt Payment Record

The District has never been delinquent in any payments of its debt agreements.

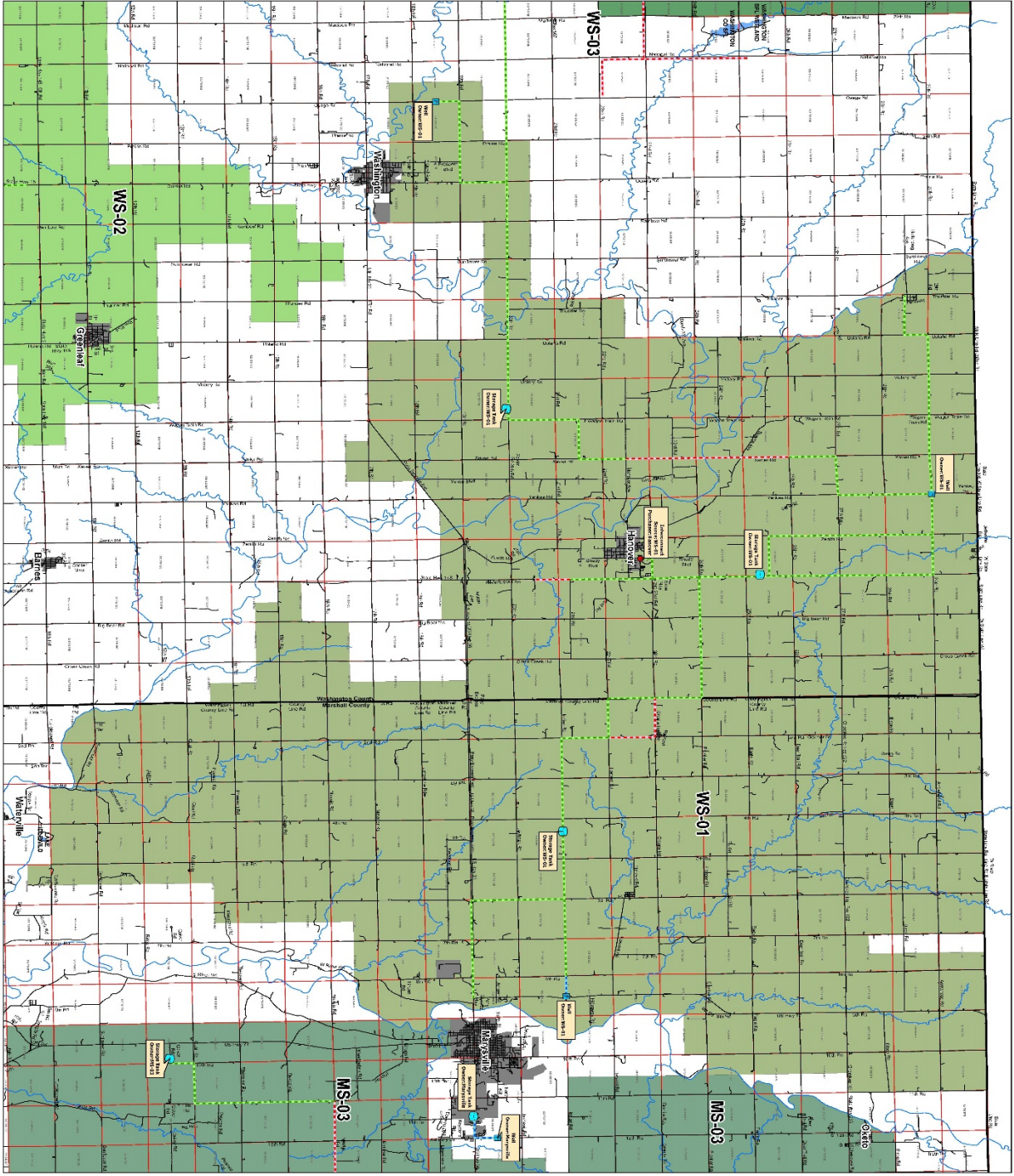
Future Indebtedness

The District has no plans to issue additional indebtedness at this time.

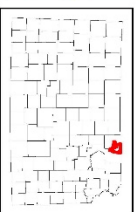
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MAP OF RURAL WATER DISTRICT NO. 1, WASHINGTON COUNTY, KANSAS

Washington County RWD No. 01



Legend	
●	Interconnect
■	Pump
■	Storage Tank
●	Surface Intake
■	Treatment Facility
■	Well
Water Mains	
---	Less than 4 inch
---	4 to 6 inch
---	greater than 6 inch
—	Roads
—	Streams
---	PLSS
 	County Boundary
 	City Boundary
■	Lakes



Produced by Kansas Rural Water Association
with the assistance of the Kansas State Center
and the Data Access and Support Center
October 2015

INCOME STATEMENT SUMMARY FOR THE DISTRICT
Audited Statements of Revenues and Expenditures
For the Fiscal Years Ended December 31, 2015 – 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating Revenues				
Water Sales	\$400,489	\$426,011	\$453,137	\$448,324
Collection Fees	425	550	625	375
Freeze Pad	90	0	0	0
Late Penalty	6,963	6,948	8,144	7,052
Maintenance Fee	169,650	187,237	190,719	192,024
Miscellaneous	773	72,866	3,406	3,603
Reading Meter	3,040	1,360	490	100
Transfer Fees	575	425	350	325
Miscellaneous	888	0	0	0
Total Operating Revenue	<u>\$582,893</u>	<u>\$695,397</u>	<u>\$656,871</u>	<u>\$651,803</u>
Operating Expenses				
Metron Farnier - total	\$0	\$68,585	\$20,352	\$22,702
IDT - total	93,537	52,573	30,988	21,895
Auditing, Geologists & Legal	3,311	3,466	3,075	3,493
Bank Charges	(104)	0	0	(176)
Chemicals	8,657	9,235	11,741	21,415
Depreciation/Amortization	108,793	87,393	92,967	96,669
Dues	649	611	657	618
Equipment - total	7,788	1,929	21,685	16,431
Insurance - total	22,273	17,326	21,595	25,864
Leak Reporting	260	270	220	140
Lease	6,050	6,050	6,050	6,050
Meeting Expense	11,594	11,804	11,650	11,490
Mileage	602	0	395	375
Miscellaneous Expense	1,374	1,746	908	738
Office Expense	4,570	14,809	6,638	8,658
Payroll Expense	25,267	12,809	13,121	14,535
Postage	2,993	2,829	493	3,037
Preventative Maintenance	338	480	392	413
Radio	120	672	0	615
Repairs & Maintenance - total	51,611	20,792	31,433	22,171
Retirement Expense	16,154	15,107	14,114	15,837
Salaries	148,010	165,318	169,315	175,097
Shop Expenses	2,849	3,157	1,573	814
Tank Maintenance	7,416	1,350	1,400	3,900
Taxes: Clean Drinking Water Fee	2,100	1,783	1,487	2,008
Truck Expense - total	20,464	12,176	17,381	14,538
Utilities - total	37,853	39,437	43,669	44,170
Water Testing	3,894	2,461	3,673	1,424
Total Operating Expenses	<u>\$588,423</u>	<u>\$554,168</u>	<u>\$526,972</u>	<u>\$534,921</u>
Income (loss) from operations before income and expenses	(\$5,530)	\$141,229	\$129,899	\$116,882
Non-operating Revenues (Expenses)				
Farm	\$4,500	\$4,500	\$4,500	\$4,500
Farm Taxes & Repairs	(1,045)	(1,154)	(1,306)	(1,394)
Interest Expense	(60,113)	(58,247)	(56,104)	(53,748)
Misc. Income	160	25	0	0
Interest Income - total	12,292	6,806	6,860	7,620
Capital Contributions, Adjustment/Benefit Unit	12,000	16,907	11,591	8,559

Total Non-operating Revenue (Exp)	(\$32,206)	(\$31,163)	(\$34,459)	(\$34,463)
Revenue Over (Under) Expenditures	(\$37,736)	\$110,066	\$95,440	\$82,419
Revenues available for Debt Service		0		
Revenue Over (Under) Expenditures	(\$37,736)	\$110,066	\$95,440	\$82,419
Freeze Pad	(90)	0	0	0
Miscellaneous	(888)	0	0	0
Metron Farnier - total	0	68,585	20,352	22,702
IDT - total	93,537	52,573	30,988	21,895
Depreciation/Amortization	108,793	87,393	92,967	96,669
Interest Expense	60,113	58,247	56,104	53,748
Net Revenue Available for Debt Service	\$223,729	\$376,864	\$295,851	\$277,433
Debt Service	\$125,560	\$128,773	\$126,673	\$129,398
Debt Service Coverage Ratio ⁽¹⁾	1.7818	2.9266	2.3356	2.1440

⁽¹⁾ Calculation includes revenue from capital contributions, adjustment/benefit units.

(This presentation of financial information has NOT been reviewed by any Independent Certified Public Accountants)

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SUMMARY OF PRO-FORMA STATEMENTS OF REVENUES AND EXPENDITURES OF THE DISTRICT
For the Fiscal Years Ended December 31, 2020- 2023

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating Revenues				
Water Sales	\$419,087	\$419,087	\$419,087	\$419,087
Collection Fees	375	375	375	375
Late Penalty	7,052	7,052	7,052	7,052
Maintenance Fee	184,908	184,908	184,908	184,908
Miscellaneous	3,603	3,603	3,603	3,603
Reading Meter	100	100	100	100
Transfer Fees	325	325	325	325
Miscellaneous	0	0	0	0
Total Operating Revenue	<u>\$615,449</u>	<u>\$615,449</u>	<u>\$615,449</u>	<u>\$615,449</u>
Operating Expenses				
Metron Farnier - total	\$29,533	\$30,419	\$31,332	\$32,272
IDT - total	52,778	54,361	55,992	57,672
Auditing, Geologists & Legal	3,706	3,817	3,931	4,049
Chemicals	22,719	23,401	24,103	24,826
Depreciation/Amortization	102,556	105,633	108,802	112,066
Dues	672	693	713	735
Equipment - total	23,276	23,975	24,694	25,435
Insurance - total	27,439	28,262	29,110	29,983
Leak Reporting	236	243	250	258
Lease	6,418	6,611	6,809	7,014
Meeting Expense	12,343	12,713	13,095	13,488
Mileage	398	410	422	435
Miscellaneous Expense	1,264	1,302	1,341	1,381
Office Expense	9,197	9,473	9,757	10,049
Payroll Expense	17,434	17,957	18,495	19,050
Postage	3,222	3,319	3,418	3,521
Preventative Maintenance	438	451	465	479
Radio	652	672	692	713
Repairs & Maintenance - total	33,950	34,968	36,017	37,098
Retirement Expense	16,801	17,306	17,825	18,359
Salaries	185,760	191,333	197,073	202,985
Shop Expenses	2,226	2,293	2,362	2,432
Tank Maintenance	4,138	4,262	4,389	4,521
Taxes: Clean Drinking Water Fee	2,130	2,194	2,260	2,328
Truck Expense - total	18,389	18,941	19,509	20,094
Utilities - total	47,155	48,570	50,027	51,528
Water Testing	3,037	3,128	3,222	3,319
Total Operating Expenses	<u>\$627,869</u>	<u>\$646,705</u>	<u>\$666,107</u>	<u>\$686,090</u>
Income (loss) from operations before income and expenses	(\$12,420)	(\$31,256)	(\$50,657)	(\$70,640)
Non-operating Revenues (Expenses)				
Farm	\$4,500	\$4,500	\$4,500	\$4,500
Farm Taxes & Repairs	(1,394)	(1,394)	(1,394)	(1,394)
Interest Expense	(12,270)	(12,665)	(11,965)	(11,230)
Interest Income - total	7,560	7,560	7,560	7,560
Capital Contributions, Adjustment/Benefit Unit	8,559	8,559	8,559	8,559
Total Non-operating Revenue (Exp)	<u>\$6,955</u>	<u>\$6,560</u>	<u>\$7,260</u>	<u>\$7,995</u>
Revenue Over (Under) Expenditures	(\$5,465)	(\$24,696)	(\$43,397)	(\$62,646)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues available for Debt Service				
Revenue Over (Under) Expenditures	(\$5,465)	(\$24,696)	(\$43,397)	(\$62,646)
Metron Farnier - total	29,533	30,419	31,332	32,272
IDT - total	52,778	54,361	55,992	57,672
Depreciation/Amortization	102,556	105,633	108,802	112,066
Interest Expense	12,270	12,665	11,965	11,230
Net Revenue Available for Debt Service	\$191,672	\$178,382	\$164,693	\$150,594
Debt Service	\$52,270	\$47,665	\$46,965	\$51,230
Debt Service Coverage Ratio	3.6670	3.7424	3.5067	2.9396
Estimated Increase	0.00%	0.00%	0.00%	0.00%

Assumptions used:

- 1) Water sales were determined using the average revenue per 1,000 gallons from year 2018 and forecasted total gallons sold;
- 2) Forecasted gallons sold were based on the average gallons sold per customer per month from years 2015 through 2018 and total number of customers; and
- 3) Forecasted number of customers were based on the total number of customers in 2018 and remained flat.

(This presentation of financial information HAS NOT been reviewed by any Independent Certified Public Accountant. The Pro Forma is based upon assumptions of future economic activity which may or may not happen and should not be relied upon as a statement of fact.)

DEFINITIONS OF WORDS AND TERMS

In addition to the words and terms defined elsewhere in this Preliminary Official Statement, the following are definitions of certain words and terms as used in the Pledge Agreement and the Bond Resolution:

"Act" means the constitution and statutes of the State of Kansas, including K.S.A. 12-2901 *et seq.*, and K.S.A. 82a-612 *et seq.*, all as may be amended.

"Additional Bonds" means any bonds payable from the revenues of the District in addition to the Series A, 2019 Bonds issued as provided in Section 209 of the Resolution.

"Authority" means the Kansas Rural Water Finance Authority, a body corporate and politic organized and existing under the laws of the State of Kansas.

"Authorized District Representative" means the District Chairman or such other person at the time designated to act on behalf of the District as evidenced by written certificate furnished to the Authority containing the specimen signature of such person and signed on behalf of the District by the District Chairman. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Authorized District Representative.

"Beneficial Owner" of Bonds includes any Owner of Bonds and any other Person who, directly or indirectly has the investment power with respect to any such Bonds.

"Board" means the Board of Directors of Rural Water District No. 1, Washington County, Kansas.

"Bond Counsel" means the firm of Gilmore & Bell, P.C., or any other attorney or firm of attorneys whose expertise in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and acceptable to the Authority and the District.

"Bond Registrar" means the Treasurer of the State of Kansas, and his/her successors and assigns.

"Bond Reserve Account" means that account directed to be established by the Resolution and designated "Bond Reserve Account for Kansas Rural Water Finance Authority Refunding Revenue Bonds, Series A, 2019 (Rural Water District No. 1, Washington County, Kansas)."

"Bond Reserve Requirement" means the amount on the date of original issuance and delivery of any series of Bonds equal to the least of (a) 10% percent of the stated original principal amount of the Bonds, (b) the maximum annual debt service (the maximum amount of debt service requirements as computed for the then current or any future Fiscal Year, provided that the debt service requirements in the final stated maturity of the Bonds shall be reduced by the value of cash and Investment Obligations on deposit in the Bond Reserve Account, so long as the Bond Reserve Account is maintained at the Bond Reserve Requirement) for the Bonds during any Fiscal Year, or (c) 125% of the average annual debt service requirements for the Bonds.

"Bonds" means the fully registered Series A, 2019 Bonds and any Additional Bonds.

"Business Day" means a day which is not a Saturday, Sunday or any day designated as a holiday by the Congress of the United States or by the Legislature of the State and on which banks in the State is not authorized to be closed.

"Change of Circumstances" means the occurrence of any of the following events:

- (1) title to, or the temporary use of, all or any part of the System shall be condemned by any authority exercising the power of eminent domain;
- (2) the System is damaged or destroyed, in whole or in part, by fire, theft or other casualty; or
- (3) as a result of changes in the Constitution of the State or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Pledge Agreement shall become void or unenforceable, or impossible of performance without unreasonable delay, or in any other way, by reason of such changes of circumstances, unreasonable burdens or excessive liabilities are imposed upon the District.

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

"Costs of Issuance" means any and all expenses of whatever nature incurred in connection with the issuance and sale of the Series A, 2019 Bonds, including but not limited to bond and other printing expenses, administrative fees, fees of the Bond Registrar and Paying Agent, legal fees and expenses of Bond Counsel and other legal counsel, fees and expenses of financial advisors and underwriters and any expenses incurred in connection with determining Yield on the Bonds, or investment of the proceeds of the Bonds.

"Current Expenses" means all necessary expenses of operation, maintenance and repair of the System, including current maintenance charges, expenses of reasonable upkeep and repairs, charges for insurance, general administrative expenses and all other expenses incident to the operation of the System, but shall exclude debt service payments, depreciation and the payments into the Bond Reserve Account hereinafter provided for.

"District" means Rural Water District No. 1, Washington County, Kansas, as organized pursuant to the Act, or, if said District shall be abolished, the board, body, commission or authority succeeding to the principal functions thereof or to whom the powers given to the District shall be given by law.

"District Chairman" means the duly elected and acting Chairman of the District or, in the Chairman's absence, the duly appointed and/or elected Vice Chairman or Acting Chairman of the District.

"DTC" means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns, including any successor securities depository duly appointed.

"Event of Default" means, with respect to the Resolution, one of the following events:

- (a) Default in the due and punctual payment of any interest on any Bond.
- (b) Default in the due and punctual payment of the principal of or premium, if any, on any Bond; or

(c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the District in the Agreement, or of the Issuer in the Resolution or in the Bonds contained, and the continuance thereof for a period of 30 days after written notice thereof shall have been given to the District by the Authority, or to the Authority and the Board by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, provided, however, if any default shall be such that it cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or the District within such period and diligently pursued until such default is corrected.

"Event of Default" means, with respect to the Pledge Agreement, one of the following events:

(a) There shall not be sufficient funds in the Principal and Interest Account (or the applicable debt service account for any other Parity Obligations) to make payment of any installment of interest on the Parity Obligations or the Bonds or payment of the principal or of the redemption premium, if any, when the same shall become due and payable; or

(b) The transfers required in the Pledge Agreement shall not be made as required; or

(c) The District shall for any reason be rendered incapable of fulfilling its obligations hereunder, under the Resolution or under the provisions of any Resolution authorizing the issuance of any Parity Obligations; or

(d) Any substantial part of the System shall be destroyed, damaged or condemned to the extent of impairing its efficient operation or usefulness, and except as otherwise provided in this Agreement, shall not be promptly repaired, replaced or reconstructed (whether such failure promptly to repair, replace or reconstruct the same be due to the impracticability or such repair, replacement or reconstruction or to any lack of funds therefore for any other reason); or

(e) Final judgment for the payment of money shall be rendered against the District as a result of its ownership, control or operation of the System and any such judgment shall not be discharged within one hundred eighty (180) days from entry thereof or an appeal shall not be taken there from or from the order, decree or process upon which or pursuant to which such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(f) Any proceeding shall be instituted, with the consent or acquiescence of the District, for the purpose of effecting a composition between the District and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable out of Gross Revenues; or

(g) The District shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in this Agreement (other than the covenants relating to continuing disclosure) on the part of the District to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given the District by the Authority.

"Fiscal Year" means the fiscal year of the District as set forth in *Schedule II* of the Resolution.

"Government Obligations" means direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America.

"Gross Proceeds" shall have the meaning ascribed thereto in the Letter of Instructions.

"Gross Revenues" means all charges, fees, income and revenues (including interest earnings) derived and collected by the District from the ownership and operation of the System.

"Interest Payment Dates" means April 1 and October 1 of each year, commencing October 1, 2020, and ending at such time as the Bonds are paid or provision is made therefore.

"Investment Obligations" shall mean the investments hereinafter described, provided, however, no moneys or funds shall be invested in a Derivative: (a) investments authorized by K.S.A. 12-1675 and amendments thereto; (b) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto; (c) direct obligations of the United States Government or any agency thereof; (d) the Issuer's temporary notes issued pursuant to K.S.A. 10-123 and amendments thereto; (e) interest-bearing time deposits in

commercial banks or trust companies located in the county or counties in which the Issuer or District are located which are insured by the Federal Deposit Insurance Corporation or collateralized by securities described in (c); (f) obligations of the federal national mortgage association, federal home loan banks, federal home loan mortgage corporation or government national mortgage association; (g) repurchase agreements for securities described in (c) or (f); (h) investment agreements or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's or Standard & Poor's; (i) investments and shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities described in (c) or (f); (j) receipts evidencing ownership interests in securities or portions thereof described in (c) or (f); (k) municipal bonds or other obligations issued by any municipality of the State as defined in K.S.A. 10-1101 which are general obligations of the municipality issuing the same; or (l) bonds of any municipality of the State as defined in K.S.A. 10-1101 which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (c) or (f); all as may be further restricted or modified by amendments to applicable State law.

"Issuer" means the Kansas Rural Water Finance Authority.

"Net Revenues" means Gross Revenues less Current Expenses.

"Notice Address"

1. With respect to the District:
Rural Water District No. 1, Washington County, Kansas
P.O. Box 188
Hanover, Kansas 66945
Attn: Pamela Goeckel, Bookkeeper

2. With respect to the Issuer:
Kansas Rural Water Finance Authority
PO Box 111
Seneca, Kansas 66538
Attn: Secretary

3. With respect to the Bond Registrar and Paying Agent
Treasurer of the State of Kansas
Landon State Office Building
900 S.W. Jackson, Suite 201
Topeka, Kansas 66612-1235
Attn: Municipal Bond Clerk

"Original Proceeds" means all proceeds, including accrued interest, derived from the sale of the Series A, 2019 Bonds to the Underwriter.

"Original Purchaser" means _____.

"Outstanding" means, as of a particular date, all Bonds theretofore issued, authenticated and delivered under the Resolution, except:

- (a) Bonds theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation pursuant to the Resolution;
- (b) Bonds for the payment or redemption of which monies or investments have been deposited with the Paying Agent in accordance with the provisions of the Resolution; and
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Resolution.

"Owner" shall mean the registered owner of any Series A, 2019 Bond, and when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register. Whenever consent of the Owners is required pursuant to the terms of the

Bond Resolution, and the Owner of the Bonds, as set forth on the Bond Register, is Cede & Co., the term Owner shall be deemed to be the Beneficial Owner of the Bonds.

"Parity Obligations" means the Bonds, any notes, bonds or other evidences of debt heretofore or hereafter issued by the District or Issuer which are secured in whole or in part by a pledge of or security interest in the District's Net Revenues, the lien of which is on a parity with the lien of the Series A, 2019 Bonds.

"Participants" means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

"Paying Agent" means the Treasurer of the State of Kansas, and any successors and assigns.

"Payment Date" means any date on which the principal of or interest on any Bond is payable.

"Pledge Agreement" means the Pledge of Revenues Agreement dated as of November 1, 2019 and any additional agreement or agreements duly executed by the District and the Authority amending or supplementing the Pledge Agreement.

"Pledged Property" means:

(a) All right, title and interest of the Authority in, to and under the Agreement, and all revenues and receipts derived by the Authority pursuant to the Agreement, all as pursuant to and subject to the provisions of the Agreement; provided that the pledge and assignment thereby made shall not impair or diminish the obligations of the Authority under the provisions of the Agreement.

(b) All moneys and securities from time to time held under the terms of the Resolution (excluding funds held in or accruing to the Rebate Fund), including, without limitation, any and all other real or personal property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security for the Bonds by the Authority.

"Principal and Interest Account" means that account authorized and established by the Resolution and designated "Principal and Interest Account for Kansas Rural Water Finance Authority Refunding Revenue Bonds (Rural Water District No. 1, Washington County, Kansas)."

"Principal Payment Dates" means the first day of October in the years 2020 through 2030, inclusive, or until such time as the aggregate principal amount of the Bonds has been paid or provision is made therefore.

"Promissory Note" means the promissory note or notes executed and delivered by the District to the Authority evidencing the debt from the District to the Authority secured by the Agreement.

"Purchase Price" means the principal amount of the Bonds, plus accrued interest to the date of delivery, less any underwriter's discount.

"Rebate Fund" means the fund authorized and established by the Resolution and designated "Rebate Fund for Kansas Rural Water Finance Authority Refunding Revenue Bonds, Series A, 2019 (Rural Water District No. 1, Washington County, Kansas)."

"Record Dates" means the fifteenth day of each month preceding the Interest Payment Dates.

"Resolution" means Bond Resolution No. _____ adopted by the Authority on October 15, 2019 as amended and supplemented by Supplemental Resolutions adopted in accordance with the provisions of the Resolution.

"Revenue Fund" means the fund authorized and established by the Pledge Agreement and designated "Revenue Fund for Rural Water District No. 1, Washington County, Kansas."

"Series A, 2019 Bonds" means the Authority's Refunding Revenue Bonds, Series A, 2019 (Rural Water District No. 1, Washington County, Kansas).

"State" means the State of Kansas.

"State Treasurer" means the Treasurer of the State of Kansas or, if the functions and duties under the Resolution of the State Treasurer shall be given by law to any other person or entity, such person or entity.

"System" means the entire water production, treatment, storage and distribution system of the District, including all administrative functions, together with all additions, enlargements and improvements thereto hereafter made or acquired by the District.

"Tax Compliance Agreement" means the Tax Compliance Agreement (dated as of the date of issuance of the Series A, 2019 Bonds) of the Authority and the District to be delivered at the time of issuance and delivery of the Series A, 2019 Bonds relating to certain matters within the scope of the Code, as the same may be amended or supplemented in accordance with its terms.

"Underwriter" means Original Purchaser.

SUMMARY OF THE PLEDGE AGREEMENT

The following is a summary of certain provisions of the Pledge Agreement. This summary does not purport to be complete, and reference is made to the full text of the Pledge Agreement for a complete recital of its terms, as well as a complete recital of the defined terms used therein.

Pledge of Net Revenues of the System by the District

Pursuant to the Pledge Agreement, the District pledges the Net Revenues, and not any other fund or source, to the Authority, as security for the payment of the Promissory Note and the principal of, premium, if any, and interest on the Series A, 2019 Bonds. By this pledge the District acknowledges that the Authority intends to pledge its rights under the Pledge Agreement so that the Series A, 2019 Bonds and all interest thereon will be made a lien on the Net Revenues. The lien of the Series A, 2019 Bonds against the Net Revenues of the System stands on a parity of lien basis with other Parity Obligations.

Revenue Fund

The District covenants that all Gross Revenues of the System shall be deposited as received to the credit of the District's Water System Revenue Fund (the "Revenue Fund"). Money in the Revenue Fund shall be expended and used only in the manner and order specified in the Pledge Agreement. All money in the Revenue Fund shall be held by the District in trust and applied as provided in the Pledge Agreement.

Application of Moneys in Funds and Accounts

The District covenants that from and after the delivery of the Bonds and continuing so long as any of the Bonds shall remain Outstanding and unpaid, it will, monthly, administer and allocate the moneys then held in the Revenue Fund to the credit of the following funds or accounts in the order and in the amounts, as follows:

(a) The cost of maintenance and operation of the System shall be paid currently from the Revenue Fund as bills accrue, and such bills shall be paid only upon approval of the Board. Such amounts as may be necessary in the opinion of the board of directors of the District to pay the reasonable and proper expenses of operation and maintenance of the System for a period of sixty (60) days shall be accrued in the operation and maintenance account before credits or transfers to the other accounts hereinafter provide for.

(b) The District shall set aside and credit monthly from the Revenue Fund to the Principal and Interest Account, beginning as of the Dated Date, any monthly payments due on Parity Obligations and proportionate monthly amounts (less accrued credits to such Account) of the (i) next maturing interest on the Bonds; and (ii) next maturing principal on the Bonds, to the end that at all times one (1) month prior to maturity of interest, principal, or mandatory call requirements, there shall be sufficient moneys credited to the Principal and Interest Account to transmit maturing interest and principal on the Bonds to the Paying Agent for payment when due. All amounts transferred and credited to the Principal and Interest Account shall be used solely and exclusively for the payment of principal of and interest on the Bonds and other Parity Obligations when the same shall become due and payable. In addition, there shall be credited to the Principal and Interest Account sufficient sums to pay any fees and expenses of the Bond Registrar and Paying Agent.

(c) Simultaneously with the issuance of the Series A, 2019 Bonds, the District shall provide that the Bond Reserve Account shall contain an amount equal to the Bond Reserve Requirement. Except as hereinafter provided in this Section, all amounts credited to and held in the Bond Reserve Account shall be expended and used by the District solely to prevent any default in the payment of interest on or principal of the Series A, 2019 Bonds and other Parity Obligations if the moneys in the Principal and Interest Account are insufficient to pay the interest on or principal of said Bonds as they become due. After the Bond Reserve Account aggregates the Bond Reserve Requirement, no further credits into said account shall be required, but if the District shall ever be required to expend and use a part of the moneys in said account for the purpose herein authorized and such expenditure shall reduce the amount of said account below the Bond Reserve Requirement, the District shall credit all available Net Revenues after providing for the credits and payments set forth above into said account until said account shall aggregate the Bond Reserve Requirement.

Moneys credited to the Bond Reserve Account may be used to call the Bonds for redemption and payment prior to their maturity provided all of the Bonds at the time Outstanding are called for payment and funds are available to pay the same according to their terms. Moneys in the Bond Reserve Account may be used to pay and retire the Outstanding Bonds as provided in the Resolution.

(d) After all payments and credits required at the time to be made by the District under the provisions of preceding subsections have been made, all moneys remaining in the Revenue Fund may be expended and used for any lawful purpose as determined by the board of directors of the District.

Deficiency of Payments into Funds and Accounts

If at any time the Net Revenues shall be insufficient to make any payment on the date or dates specified, the District will make good the amount of such deficiency by making additional payments or credits out of the first available Net Revenues thereafter received by the District, such payments and credits being made and applied in the order specified above.

General Covenants

The District covenants that it will promptly take such action as is required by the undertakings and agreements contained in the Pledge Agreement, the Promissory Note or in any Bond executed and delivered pursuant to the Resolution or in any proceedings of the District pertaining thereto. The District further represents and covenants that it is duly authorized under the constitution and laws of the State to execute and deliver the Promissory Note, and to pledge and assign the Net Revenues in the manner and to the extent herein set forth; that all action on its part for the issuance of the Promissory Note and the Series A, 2019 Bonds has been duly and effectively taken; and that such instruments, representations and covenants will be valid and enforceable special obligations according to the terms of the Pledge Agreement.

Deposits and Investments

All money deposited or held under the provisions of the Pledge Agreement and the Resolution shall be pledged funds under the terms thereof and shall not be subject to lien or attachment by a creditor. Such money shall be held and applied in accordance with the provisions of the Pledge Agreement and the Resolution. Money held for the credit of the funds and accounts referred to in the Pledge Agreement shall be invested by the District pursuant to the provisions of the Pledge Agreement.

Tax Covenants

The District and the Authority covenant and agree that neither will take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Series A, 2019 Bonds under Section 103 of the Code. The District and the Authority further covenant and agree that the proceeds of the Series A, 2019 Bonds will be used as soon as practicable and with all reasonable dispatch for the purpose for which the Series A, 2019 Bonds are issued, and that neither will directly nor indirectly use or permit the use of any proceeds of the Series A, 2019 Bonds or any other funds of the Authority or the District, or take or omit to take any action that would cause the Series A, 2019 Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Authority and the District covenant to comply with all requirements of Section 148 of the Code to the extent applicable to the Series A, 2019 Bonds.

The District shall cause to be deposited into the Rebate Fund from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code. This covenant shall survive payment in full or defeasance of the Series A, 2019 Bonds.

Covenants as to Liens

The District covenants that it will not create nor permit the creation of any lien, encumbrance or charge upon the System or upon the Net Revenues pledged under the Pledge Agreement or the Resolution except the pledge, lien and charge securing the Series A, 2019 Bonds, any Additional Bonds or other Parity Obligations (as defined in the Resolution), and any pledge, lien or charge created to secure any junior lien debt obligations issued by the District, as long as the rights of the owners of such obligations are subordinate in all respects to the covenants and provisions of the Pledge Agreement and the Resolution, and that, from the Gross Revenues and other funds available therefore, it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within 60 days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other obligations constituting operating expenses of the System which, if unpaid, might by law become a lien upon the System or upon such Gross Revenues; provided, however, that nothing herein contained shall require the District to pay or cause to be discharged, or make provision for, any such lien, encumbrance or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings. If the District issues any debt obligations to be secured by liens on the Net Revenue, the System, or any part thereof, written notice of such issuance shall be given to the Authority and the Original Purchaser.

Insurance Requirements

The District will carry and maintain such reasonable amount of all risk insurance on all properties and all operations of the System as would be carried by a privately owned utility with similar property and performing similar functions, insofar as the properties are of an insurable nature; and in the event of loss or damage, the District will use the proceeds of such insurance to reconstruct or replace the damaged or destroyed property, or if such reconstruction or replacement be unnecessary, then such proceeds shall be used in redeeming or paying off Outstanding Bonds or other Parity Obligations, in accordance with their redemption provisions. The District also will carry general liability insurance in amounts not less than the then maximum liability of a governmental entity for claims arising out of a single occurrence, as provided by the Kansas Tort Claims Act or other similar future law (currently \$500,000.00 per occurrence). In lieu of the foregoing, the District may establish a self-insurance program, which will provide substantially the same protection for the Owners of the Series A, 2019 Bonds, upon the written approval of the Authority.

Efficient and Economical Operation

The District will continuously own and will operate the System in an efficient and economical manner and will keep and maintain the same in good repair and working order.

Rate Covenant

The District will fix, establish, maintain and collect such rates, fees and charges for water sold and distributed through the System, including all extensions, enlargements and improvements thereto hereafter constructed or acquired by the District, as will produce revenues sufficient to (a) pay the cost of the operation and maintenance of the System; (b) pay the principal of and interest on the Bonds and all other Parity Obligations as and when the same become due; (c) enable the District to have in each Fiscal Year Net Revenues in an amount that will be not less than 125% of the debt service requirements required to be paid in such Fiscal Year on all Bonds and other Parity Obligations at the time Outstanding; and (d) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for the protection and benefit of the System of the District as provided in this Agreement.

Reasonable Rates for All Services

None of the facilities or services provided by the System will be furnished to any user (excepting the District itself) without a reasonable charge being made therefore. In the event that the revenues derived by the District from the System shall at any time be insufficient to pay the reasonable expenses of operation and maintenance of the System and also to pay the debt service requirements of the Bonds as and when the same become due, then the District will thereafter pay into the Revenue Fund a fair and reasonable payment in accordance with effective applicable rates, fees and charges for all services or other facilities furnished to the District by the System, and such payments will continue so long as the same may be necessary in order to prevent or reduce the amount of any default in the payment of the interest on or principal of the Bonds.

Records and Accounts; Annual Financial Statement

The District covenants that it will keep or cause to be kept for each Fiscal Year accurate financial records and accounts of all items of cost and of all expenditures relating to the System, the Gross Revenues received and the application of such Gross Revenues. Such

records and accounts shall be open to the inspection of the Authority, the Original Purchaser and any Owner of Bonds or authorized agents and representatives thereof during the normal business hours for the District. The District further covenants that, not later than four (4) months after the close of each Fiscal Year, it will file with the Authority an audited financial statement prepared by a certified public accountant for such Fiscal Year, prepared for and approved by the District, reflecting in reasonable detail the financial condition and record of operation of the System. There shall also be sent to the Authority and the Original Purchaser a copy of each annual audited financial statement of the District.

As soon as possible after the completion of such annual audit, the Board of the District shall review such audited financial statements, and if any audit shall disclose that proper provision has not been made for all of the requirements of the Resolution or the Pledge Agreement and the law under which the Bonds are issued, the District covenants and agrees that it will promptly cure such deficiency and will promptly (within 60 days) proceed to consider increasing the rates, fees and charges to be charged for the use and services furnished by the System as may be necessary to adequately provide for such requirements.

Sale or Disposition of All or Any Part of the System

The District covenants that so long as any Bonds or other Parity Obligations are Outstanding it will not sell or otherwise dispose of the System; provided, however, that the District may sell or otherwise dispose of or remove parts of the System but only if there shall be filed with the Authority prior to any such disposition or removal a certificate, signed by the Chairman of the District, stating that such disposition or removal and replacement shall not prejudice to any extent the payment of the principal of and the interest on the Bonds when due and payable.

The District may sell or otherwise dispose of any furniture, fixtures, apparatus, tools, instruments or other movable property acquired for or in connection with the System or any materials used in connection therewith, if the District shall determine that such articles are no longer needed or are no longer useful in connection with the construction of the system or the operation and maintenance of the System or normally in the ordinary course of business are routinely sold or disposed of.

The proceeds of any sale or other disposition made under the authority of the Pledge Agreement subject to applicable law, shall be applied to the replacement in the System of any facilities or property so sold or disposed of, and any such replacement shall become a part of the System and be subject to the provisions of the Pledge Agreement.

The District may otherwise sell or dispose of the System if full provision for payment of all Bonds and other Parity Obligations is made at or prior to the closing of such sale. Provision for payment of all Bonds shall be made according to the provisions Article XIII of the Resolution, and for other Parity Obligations according to the terms and provisions of the documents creating such obligations.

Remedies Upon Default

Upon the happening and continuance of any Event of Default under the Pledge Agreement, then and in every such case the Authority may proceed to protect and enforce its rights under the Pledge Agreement by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant or agreement contained in the Pledge Agreement or in aid or execution of any power granted therein or for the enforcement of any proper legal or equitable remedy, as the Authority shall deem most effectual to protect and enforce such rights or as may be required pursuant to the Resolution.

No Remedy Exclusive

No remedy conferred on the Authority by the Pledge Agreement is intended to be exclusive of any other remedy or remedies provided therein, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given thereunder.

Delay or Omission

No delay or omission of the Authority to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by the Pledge Agreement to the Authority may be exercised from time to time and as often as may be deemed expedient.

Amendment of Pledge Agreement

Except as otherwise provided in the Pledge Agreement or in the Resolution, the Pledge Agreement may not be amended, changed or modified except by an agreement in writing executed by the Authority and the District and upon the same terms and conditions as the Resolution may be amended. Prior to the execution of any such amendment, the Authority and the District shall furnish the Original Purchaser with a copy of the amendment, change or modification proposed to be made.

SUMMARY OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. This summary does not purport to be complete, and reference is made to the full text of the Resolution for a complete recital of its terms, as well as a complete recital of the defined terms used therein.

Revenue Fund

All of the Gross Revenues derived and collected by the District from the operation of the System will be paid and deposited into the Revenue Fund. The Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in the Pledge Agreement.

Investments of Moneys in Funds

Obligations so purchased as an investment of money in any such fund or account shall be deemed at all times to be a part of such fund or account including accrued interest paid at the date of purchase until the payment of such interest on the next interest payment date. Investment earnings on all funds and accounts (except amounts required to be deposited into the Rebate Fund in accordance with the Tax Compliance Agreement) shall be credited to such fund or account, and any loss resulting from any such investment shall be charged to such fund or account. All investment earnings on the Rebate Fund shall remain in such fund and be held and applied pursuant to the Tax Compliance Agreement. Investment obligations shall be sold and reduced to cash in sufficient amounts whenever the cash balance in any fund or account is insufficient for the purposes of such fund or account. In determining the balance in any fund or account, Investment Obligations in such fund or account shall be valued as frequently as deemed necessary by the Authority or the District (not less frequently than annually) at the lower of their original cost or their fair market value as of such valuation date. Neither the Authority, the District, nor any member or officer thereof shall be liable or responsible for any loss resulting from any such investment.

Money held for the credit of the Revenue Fund may be invested in conformity with any applicable statute, subject to the provisions of the Resolution to the extent such provisions are not in conflict with any such statute.

Additional Bonds

(a) Additional Bonds or other Parity Obligations may be issued by the Issuer or by the District equally and ratably secured on a parity of lien basis with the Series A, 2019 Bonds, any other Additional Bonds or other Parity Obligations outstanding at any time and from time to time, upon compliance with the conditions hereinafter provided in the Resolution, for any of the following purposes:

(1) Provide funds to pay all or any part of the costs of acquisition, purchase or construction of such additions, improvements, extensions, alterations, expansions, or modifications of the System or any part thereof as the District may deem necessary or desirable and as will not impair the nature of the System.

(2) Provide funds for refunding all or a portion of the Bonds or other Parity Obligations of any series then Outstanding, including the payment of any premium thereon and interest to accrue to the designated redemption date and any expenses in connection with such refunding.

(b) Before any Additional Bonds or other Parity Obligations shall be issued under the provisions of the Resolution, the following conditions must be met:

(1) The issuance of such Additional Bonds or other Parity Obligations of equal lien and priority is permitted by the statutes of the State of Kansas.

(2) (i) The Net Revenues, as shown by information provided by a certified public accountant, for the Fiscal Year preceding the issuance of such Additional Bonds or other Parity Obligations shall have been in an amount at least equal to 125% of the average annual principal and interest requirements of all the Outstanding Bonds and other Parity Obligations for such Fiscal Year, when added to the average annual principal and interest requirements of the proposed Additional Bonds or other Parity Obligations; or (ii) the projected Net Revenues for the Fiscal Year succeeding the issuance of such Additional Bonds or other Parity Obligations, taking into account estimated additional Net Revenues resulting from System rate increases adopted simultaneously with or prior to the issuance of such Bonds or other Parity Obligations and additional revenues to be generated from expansion of the System, shall be in an amount at least equal to 125% of the average annual principal and interest requirements of all the Outstanding Bonds and other Parity Obligations when added to the average annual principal and interest requirements of the proposed Additional Bonds or other Parity Obligations. Such projected Net Revenues shall be based upon a report prepared by an independent engineering consultant or certified public accountant. For purposes of calculating the average annual principal and interest requirements, as referenced above, the amount of the Bond Reserve Requirement may be subtracted from the principal and interest requirements scheduled for the final year that Bonds, other Parity Obligations and Additional Bonds are to be Outstanding.

(3) The District shall not be in default in the making of any payments at the time required to be made by it into the respective funds and accounts stated herein and shall not after the issuance of such Additional Bonds or other Parity Obligations be in default in any covenants or procedures established in the Pledge Agreement or the Resolution of the District authorizing the Additional Bonds, or other Parity Obligations.

(4) All reductions in the Bond Reserve Account shall be restored to said account upon or prior to the issuance of such Additional Bonds or other Parity Obligations, and a deposit shall be made to the Bond Reserve Account so that the amount credited to the Bond Reserve Account will be equal to the Bond Reserve Requirement applicable after issuance of such Additional Bonds or other Parity Obligations.

(5) The District shall give written approval thereto if such Additional Bonds or other Parity Obligations are to be issued by the Issuer, or the District shall give notice thereof to the Issuer and the Original Purchaser if such bonds or obligations are to be issued by the District; and

(6) The Issuer or the District shall adopt a resolution (i) authorizing the issuance of such Additional Bonds or other Parity Obligations, fixing the amount and terms thereof and describing the purpose or purposes for which such Additional Bonds or other Parity Obligations are being issued or describing the Bonds to be refunded, (ii) if applicable, authorizing the Issuer to enter into a Supplemental Resolution for the purpose of providing for the issuance of and securing such Additional Bonds or other Parity Obligations and, if required by the Issuer, (iii) authorizing the Issuer to enter into a Supplemental Agreement with the District to provide for a pledge of revenues at least sufficient to pay the principal of, premium, if any, and interest on the Bonds then to be Outstanding (including the Additional Bonds or other Parity Obligations to be issued) as the same become due, and for such other matters as are appropriate because of the issuance of the Additional Bonds or other Parity Obligations proposed to be issued which, in the judgment of the Issuer, is not to the prejudice of the Issuer or the Owners of the Bonds previously issued.

(c) Additional Bonds, unless issued as Notes, shall be substantially in the form and executed in the manner set forth in the Resolution and shall be deposited with the Bond Registrar for authentication. Prior to or simultaneously with the authentication and delivery of such Additional Bonds by the Bond Registrar, there shall be filed with the Issuer and the Bond Registrar for such Additional Bonds the following:

(1) An original or certified copy of the resolution of the District or the Supplemental Resolution adopted by the Issuer authorizing the issuance of such Additional Bonds and the execution of the appropriate amendments or supplements to the Agreement.

(2) An original executed counterpart of the amendment or supplement to the Agreement, if required.

(3) An opinion of Bond Counsel to the effect that the Additional Bonds constitute valid and legally binding special obligations of the District or the Issuer, as the case may be, subject to such limitations and restrictions as shall be described therein.

(4) In the case of Additional Bonds being issued to refund Outstanding Bonds, such additional documents as shall be reasonably required by the Bond Registrar to establish that provision has been duly made for the payment of all of the Bonds to be refunded in accordance with the provisions of the Resolution.

(5) The written approval of the District, if applicable.

(6) Such other certificates, statements, receipts and documents as the Issuer or the District shall reasonably require for the delivery of such Additional Bonds.

(d) When the documents mentioned in the above paragraphs shall have been filed and when such Additional Bonds have been executed and authenticated as required by the Resolution, the Issuer or the District shall deliver such Additional Bonds to or upon the order of the purchasers thereof, but only upon payment of the purchase price of such Additional Bonds. The proceeds of the sale of such Additional Bonds (except Additional Bonds issued to refund Outstanding Bonds), including accrued interest and premium thereon, if any, shall be immediately deposited and applied as provided in the resolution authorizing the issuance of such Additional Bonds. The proceeds (excluding accrued interest and premium, if any, which shall be deposited in the Principal and Interest Account) of all Additional Bonds issued to refund Outstanding Bonds shall be deposited, after payment or making provision for payment of all expenses incident to such financing, to the credit of a special trust fund, appropriately designated, to be held in trust for the sole and exclusive purpose of paying the principal of, premium, if any, and interest on the Bonds to be refunded, as provided in the Resolution and in the resolution authorizing the issuance of such refunding Bonds.

(e) Except as provided in the Resolution, neither the Issuer nor the District will otherwise issue any obligations ratably secured and on a parity lien basis with the Series A, 2019 Bonds, but the Issuer or the District may issue other obligations specifically subordinate and junior to the Series A, 2019 Bonds with only the express written approval of the District.

Notice of Default

If an Event of Default shall have occurred and be continuing, the Authority shall request the Bond Registrar and Paying Agent to promptly notify the Owners of such default.

Acceleration of Maturity in Event of Default

If an Event of Default shall have occurred and be continuing, the Authority may, and shall upon the written request of the Owners of not less than 66 2/3% in aggregate principal amount of Bonds then Outstanding by notice in writing delivered to the Authority and the District, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest thereupon become and be immediately due and payable.

If, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of principal and interest on the Bonds, together with the reasonable and proper expenses of the Bond Registrar and Paying Agent, and all other sums then payable by the Authority under the Resolution shall either be paid or provision shall be made for such payment, then and in every such case the Authority shall, but only with the approval of the Owners of not less than 50% in aggregate principal amount of the Bonds Outstanding, rescind such declaration and annul such default in its entirety.

In case of any rescission, then and in every such case the Authority, the District and the Bondowners be restored to their former position and rights respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Remedies on Default

Upon the happening and continuance of any Event of Default then and in every such case any Owner may proceed, subject to the provisions of the Resolution, to protect and enforce the rights of the Owners by a suit, action or special proceeding in equity, or at law, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy as such Owner shall deem most effectual to protect and enforce such rights.

Anything in the Resolution to the contrary notwithstanding, if at any time the moneys in the Principal and Interest Account, together with any Net Revenues then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in the Resolution or otherwise, shall be applied as follows:

(a) If the principal of all the Bonds and other Parity Obligations shall not have become due and payable, all such moneys shall be applied:

first: to the payment of persons entitled thereto of all installments of interest then due and payable in the order in which such installments became due and payable, and, if the amount available shall not be sufficient to pay in full any particular installments, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in the Bonds or other Parity Obligations;

second: to the payment of persons entitled thereto of the unpaid principal of any of the Bonds or other Parity Obligations which shall have become due and payable (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Resolution), in the order of their due dates, with interest on the principal amount of such Bonds or other Parity Obligations at the respective rates specified therein from the respective dates upon which such Bonds became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of the Bonds or other Parity Obligations due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

third: to the payment of the interest on and the principal of the Bonds or other Parity Obligations, to the purchase and retirement of Bonds and to the redemption of Bonds, all in accordance with the provisions of the Resolution.

(b) If the principal of all the Bonds or other Parity Obligations shall have become due and payable, all such moneys shall be applied:

first: to the payment to the persons entitled thereto of all installments of interest due and payable on or prior to maturity, if any, in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds or other Parity Obligations, and then to the payment of any interest due and payable after maturity on the Bonds or other Parity Obligations, ratably, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in the Bonds or other Parity Obligations; and

second: to the payment of the principal of the Bonds or other Parity Obligations, ratably, to the persons entitled thereto, without preference or priority of any obligation over any other obligation.

Whenever moneys are to be applied by the Authority or Paying Agent pursuant to the provisions of the Resolution, such moneys shall be applied by the Authority at such times, and from time to time, as the Authority in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the deposit of such moneys with the Paying Agent in trust for the proper purpose shall constitute proper application by the Authority; and the Authority shall incur no liability whatsoever to any Owner or to any other persons for any delay in applying any such moneys, so long as the Authority acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Paying Agent. Whenever the Authority shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date unless the Authority shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Authority shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the owner of any unpaid Bond until such Bond shall be surrendered to the Bond Registrar for appropriate endorsement, or for cancellation if fully paid.

In case any proceeding taken by any Owner on account of any default shall have been discontinued or abandoned for any reason, then and in every such case the Authority and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights and remedies of the Owners shall continue as though not such proceedings had been taken.

No Owner of any of the Bonds shall have any right in any manner whatever to affect, disturb or prejudice the security of the Resolution or to enforce any right hereunder, except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners.

No remedy herein conferred on the Owners is intended to be exclusive of any other remedy or remedies, and each and every remedy conferred shall be cumulative and shall be in addition to every other remedy given hereunder and under the Act or now or hereafter existing at law or in equity or by statute.

No delay or omission of any Owner to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Resolution to the Owners may be exercised from time to time and as often as may be deemed expedient.

Limitation on Exercise of Remedies by Bondowners

No Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Resolution or the Agreement for the appointment of a receiver or any other remedy hereunder, unless (i) an Event of Default shall have occurred, (ii) the Owners of 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Authority, shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and (iii) the Authority shall thereafter fail or refuse to exercise the powers herein granted or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case, at the option of the Authority, to be conditions precedent to the execution of the powers and trusts of the Resolution and to any action or cause of action for the enforcement of the Resolution or the Agreement, or for the appointment of a receiver or for any other remedy hereunder, it being understood and intended that not one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the Resolution by its, his or their action or to enforce any right hereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the equal benefit, prorata, of all Bonds and other Parity Obligations then outstanding. Nothing in the Resolution contained shall, however, affect or impair the right of any Owner to payment of the principal of and interest on any Bond at and after the maturity thereof or the obligation of the Authority to pay the principal of, premium, if any, and interest on each of the Bonds issued hereunder to the respective Owners thereof at the time, place, from the source and in the manner in the Resolution and in the Bonds expressed.

Right of Owners to Direct Proceedings

Anything in the Resolution to the contrary notwithstanding, the Owners of 50% in aggregate principal amount of Bonds and other Parity Obligations then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Authority, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Resolution or the Agreement, or for the appointment of a receiver or any other proceedings thereunder, provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Resolution.

Exercise of Remedies

If an Event of Default shall have occurred and be continuing, the Authority shall pursue and exercise any available remedy at law or in equity by suit, action, mandamus or other proceeding or exercise such one or more of the rights and powers conferred by the Resolution as the Authority, being advised by counsel, shall deem most expedient in the interests of the Owners to enforce the payment of the principal of, premium, if any, and interest on the Bonds then Outstanding.

All rights of action under the Resolution or under any of the Bonds may be enforced by the Authority without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Authority shall be brought in its name without necessity of joining as plaintiffs or defendants any Registered Owners of the Bonds, and any recovery of judgment shall be for the equal benefit, prorata, of all the Outstanding Bonds and other Parity Obligations.

Supplemental Resolutions Not Requiring Consent of Owners

The Authority may from time to time, without the consent of or notice to any of the Owners, adopt such Supplemental Resolution or Supplemental Resolutions as shall not be inconsistent with the terms and provisions of the Resolution, for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Resolution or to make any other change not prejudicial to the Owners;

- (b) To grant to or confer upon the Bond Registrar for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners;
- (c) To more precisely identify the System or to add additional property thereto;
- (d) To subject to the Resolution additional revenues, properties or collateral; or
- (e) To issue Additional Bonds.

Supplemental Resolutions Requiring Consent of Owners

Exclusive of Supplemental Resolutions described above and subject to the terms and provisions contained in the Resolution, and not otherwise, the Owners of not less than 66-2/3% in aggregate principal amount of the Bonds then Outstanding shall have the right from time to time, anything contained in the Resolution to the contrary notwithstanding, to consent to and approve the adoption by the Authority of such other Supplemental Resolution or Supplemental Resolutions as shall be deemed necessary and desirable by the Authority for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Resolution or in any Supplemental Resolution; provided, however, that nothing herein contained shall permit or be construed as permitting (1) an extension of the maturity of the principal of or the interest on any Bond issued hereunder, or (2) a reduction in the principal amount of any Bond or the rate of interest thereon, or (3) a privilege or priority of any Bond or Bonds over any other Bond or Parity Obligation, or (4) a reduction in the aggregate principal amount of Bonds the Owners of which are required for consent to any such Supplemental Resolution.

Any provision of the Resolution may be amended with the written consent of the owners of 100% in aggregate principal amount of Bonds and Parity Obligation Outstanding.

Anything hereinabove set forth to the contrary notwithstanding, a Supplemental Resolution which affects any rights of the District shall not become effective unless and until the District shall have consented in writing to the execution and delivery of such Supplemental Resolution.

Satisfaction of Lien

When the principal of, premium, if any, and interest on all of the Bonds shall have been paid in accordance with their terms or provision has been made for such payment, and provision shall also be made for paying all other sums payable under the Resolution, then the right, title, interest and lien of the Owners in the Net Revenues under the Resolution and the Agreement shall thereupon cease. Thereupon the Authority shall release the covenants of the Resolution and the Agreement and shall execute, acknowledge and deliver such instruments of satisfaction and release and as may be required to evidence such release. The Authority is authorized to accept a certificate by the Bond Registrar and Paying Agent that the principal of, premium, if any, and interest due and payable upon all of the Bonds then Outstanding have been paid or such payment provided for as evidence of satisfaction of the Resolution.

Bonds Deemed to be Paid

The Bonds shall be deemed to be paid within the meaning of the Resolution when payment of the principal of, premium, if any, and interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by depositing with a qualified Kansas bank or trust company, in trust and irrevocably set aside exclusively for such payment (1) moneys sufficient to make such payment or (2) Government Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment. At such time as a Bond shall be deemed to be paid, it shall not longer be secured by or entitled to the benefits of the Resolution or the Agreement, except for the purposes of any such payment from such moneys or Government Obligations.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to the stated maturities thereof, no deposit under clause (ii) of the preceding paragraph shall be deemed a payment of such Bonds as aforesaid until, as to all such Bonds which are to be redeemed prior to their respective stated maturities, proper notice of such redemption shall have been given in accordance with the Resolution or irrevocable instructions shall have been given to the Bond Registrar and Paying Agent to give such notice.

All moneys or Government Obligations set aside and held in trust for the payment of the Bonds (including premium thereon, if any) and interest thereon shall be applied to and used solely for the payment of the particular Bonds (including premium thereon, if any) and interest thereon with respect to which such moneys and Government Obligations have been so set aside in trust.

NON-LITIGATION CERTIFICATION

Upon delivery of the Series A, 2019 Bonds, the Authority and the District will furnish a certificate dated the date of delivery of the Series A, 2019 Bonds, to the effect that (a) to the knowledge of the signer or signers thereof there is not litigation pending or threatened against the Authority or the District affecting the validity of the Pledge Agreement the Resolution or the Series A, 2019 Bonds; and (b) the execution, delivery and performance by the Authority or the District of the Pledge Agreement or the Resolution will not violate any provision of the Constitution, statutes or other laws of the State or any other applicable judgment, order or regulation of any court or of any public or governmental agency or authority of the State and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, any agreement or instrument to which the Authority or the District is a party or by which either of the Authority or the district or any of their respective property is or may be bound, nor will such action result in any violation of the provisions of any statute, order, rule or regulation applicable to the Authority or the District of any court or any federal, state or other regulatory authority or other governmental body.

LEGAL MATTERS

Approval of Bonds

All legal matters relating to the authorization and issuance of the Series A, 2019 Bonds are subject to the approving opinion of Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. Bond Counsel has not participated in the preparation of the information contained in this Preliminary Official Statement except for the matters appearing in the sections captioned "THE BONDS," "DEFINITIONS OF WORDS AND TERMS," "SUMMARY OF THE PLEDGE AGREEMENT," "SUMMARY OF THE RESOLUTION," "LEGAL MATTERS" and "TAX MATTERS." An original approving opinion will be delivered at closing to the Original Purchasers of the Series A, 2019 Bonds.

TAX MATTERS

General

The following is a summary of the material federal and State income tax consequences of holding and disposing of the Series A, 2019 Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series A, 2019 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Kansas, does not discuss the consequences to an owner under state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series A, 2019 Bonds in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series A, 2019 Bonds.

Opinion of Bond Counsel

In the opinion of Bond Counsel, under the law existing as of the issue date of the Series A, 2019 Bonds:

Federal Tax Exemption. The interest on the Series A, 2019 Bonds [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes.

Alternative Minimum Tax. Interest on the Series A, 2019 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The Series A, 2019 Bonds are "qualified tax-exempt obligations" for purposes of Code § 265(b)(3).

Kansas Tax Exemption. The interest on the Series A, 2019 Bonds is exempt from income taxation by the State.

No Other Opinions. Bond Counsel's opinions are provided as of the date of the original issue of the Series A, 2019 Bonds, subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series A, 2019 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series A, 2019 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series A, 2019 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series A, 2019 Bonds.

Other Tax Consequences

[Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series A, 2019 Bond over its issue price. The issue price of a Series A, 2019 Bond is generally the first price at which a substantial amount of the Series A, 2019 Bonds of that maturity have been sold to the public. Under Code § 1288, original issue discount on tax-exempt obligations accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series A, 2019 Bond during any accrual period generally equals (1) the issue price of that Series A, 2019 Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series A, 2019 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Series A, 2019 Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.]

[Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series A, 2019 Bond over its stated redemption price at maturity. The issue price of a Series A, 2019 Bond is generally the first price at which a substantial amount of the Series A, 2019 Bonds of that maturity have been sold to the public. Under Code § 171, premium on tax-exempt obligations amortizes over the term of the Series A, 2019 Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series A, 2019 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series A, 2019 Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of premium.]

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Series A, 2019 Bond, an owner of the Series A, 2019 Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series A, 2019 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series A, 2019 Bond. To the extent the Series A, 2019 Bonds are held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series A, 2019 Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on Series A, 2019 Bonds, and to the proceeds paid on the sale of Series A, 2019 Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series A, 2019 Bonds should be aware that ownership of the Series A, 2019 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series A, 2019 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series A, 2019 Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series A, 2019 Bonds, including the possible application of state, local, foreign and other tax laws.

FINANCIAL ADVISOR

Ranson Financial Group, L.L.C., Wichita, Kansas serves as financial advisor ("Financial Advisor") to the Authority and the District. The Financial Advisor is a "municipal advisor" as defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Financial Advisor has participated in the preparation of this Preliminary Official Statement, but has not verified all of the factual information contained herein, nor has it conducted a detailed investigation of the affairs of the Authority and the District for the purpose of passing upon the accuracy or completeness of this Preliminary Official Statement. The Financial Advisor's fee is contingent upon the actual issuance and delivery of the Bonds.

UNDERWRITING

On October 15, 2019, the Issuer received _____ bids for the purchase of the Series A, 2019 Bonds. The Series A, 2019 Bonds were awarded by the Issuer to the account of _____ (the "Underwriter"). The Initial Purchaser submitted the lowest bid for the purchase of the Series A, 2019 Bonds with a net effective interest rate of _____%.

The Series A, 2019 Bonds will be offered to the public initially at the prices determined to produce the yield to maturity set forth on the inside cover page of this Preliminary Official Statement. The Underwriter may offer and sell the Series A, 2019 Bonds to certain dealers (including dealers depositing the Series A, 2019 Bonds into investment trusts) at prices other than the price stated on the inside cover page hereof and may change the initial offering price from time to time subsequent to the date hereof. In connection with the offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Series A, 2019 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

RATING

The Authority has not made an application for an independent rating on the Series A, 2019 Bonds.

[ELIGIBILITY TO SECURE THE DEPOSIT OF PUBLIC FUNDS

Pursuant to K.S.A. 9-1402, banks are allowed to hold certain revenue bonds of any municipality or quasi-municipal corporation of the State of Kansas, as security for the deposit of public funds, if approved by the State Bank Commissioner. An application will be submitted to the State Bank Commissioner requesting that the Bonds be approved as security for deposit of public funds.]

MISCELLANEOUS

The Authority has not participated in the preparation of the information contained in this Preliminary Official Statement except for the matters appearing in the sections captioned "INTRODUCTION," "THE KANSAS RURAL WATER FINANCE AUTHORITY" and "NON-LITIGATION CERTIFICATION." Information contained herein relating to the District and the System was provided by officials of the District, which information the Authority believes to be correct. However, the Authority has not made an independent investigation of such information and does not make representations as to its accuracy or completeness.

ADDITIONAL INFORMATION

Additional information with respect to the Authority and the Bonds may be obtained upon request from the Kansas Rural Water Finance Authority, PO Box 111, Seneca, Kansas 66538.

Any statements in this Preliminary Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Preliminary Official Statement is not to be construed as a contract or agreement between the Authority and Bondowners.

This Preliminary Official Statement is submitted only in connection with the sale and delivery of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

AUTHORIZATION OF PRELIMINARY OFFICIAL STATEMENT

The preparation of this Preliminary Official Statement and its distribution has been authorized by the Authority and the District. This Preliminary Official Statement has been duly approved by the governing body of the Authority and the governing body of the District as of the date of on the cover page.

KANSAS RURAL WATER FINANCE AUTHORITY

By _____
Patricia Schlesener, President

RURAL WATER DISTRICT NO. 1,
WASHINGTON COUNTY, KANSAS

By _____
Mike Meyer, Chairperson

\$470,000*
KANSAS RURAL WATER FINANCE AUTHORITY
REFUNDING REVENUE BONDS
SERIES A, 2019
(Rural Water District No. 1, Washington County, Kansas)

APPENDIX A

Audited Financial Statements of the District
(Fiscal Year Ended December 31, 2018)

* Subject to change.

**RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
HANOVER, KANSAS**

Financial Statements
With
Independent Auditors' Report
DECEMBER 31, 2018

BRUNA AUDITING SERVICES LLC
DEREK BRUNA
CERTIFIED PUBLIC ACCOUNTANT
WASHINGTON, KANSAS

**RURAL WATER DISTRICT #1
WASHINGTON COUNTY, KANSAS
HANOVER, KANSAS**

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Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9-10
Notes to the Financial Statements	11-17

BAS LLC
Bruna Auditing Services LLC
Derek Bruna, CPA

201 C Street
Washington, KS 66968
Phone: (785)-325-2061
Fax: (785)-325-2194

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Washington County Rural Water District No. 1
Hanover, Kansas 66945

I have audited the accompanying financial statements of Washington County Rural Water District No. 1 (WCRWD No. 1) which comprise the Statement of Net Position as of and for the year ended December 31, 2018, and the related Statement of Revenues, Expenses, and Changes in Fund Net Position, and Cash Flow for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the accounting principles generally accepted in the United States of America and the *Kansas Municipal Audit Guide* (KMAAG); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

In my opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the WCRWD No. 1, as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of management's response to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Bruna Auditing Services LLC



Derek Bruna, CPA

Washington, Kansas

February 11, 2019

WASHINGTON COUNTY RURAL WATER DISTRICT NO. 1 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

This section of the Washington County Rural Water District No. 1's annual financial report presents analysis of the Districts' financial performance during the fiscal year ended on December 31, 2018. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. The District's financial statements are presented as one fund level financial statements because the District operates with a single fund.

Required Financial Statements

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the District's creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This MD&A should be used concurrently with financial statements taken as a whole.

FINANCIAL HIGHLIGHTS AND ANALYSIS

Please refer to the attached table which shows a Condensed Statement of Net Position and Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position.

Net position may serve, over time, as a useful indicator of a government's financial position. The Statement of Net Position has been prepared implementing GASB 63 and 65. Net position represents the difference between assets and liabilities. In the case of the District, the total net position as of year ended December 31, 2018 was \$1,960,045. The net position is comprised of Net Investment in Capital Assets of \$677,010, Restricted Bond Reserves of \$169,500 and Unrestricted Amounts of \$1,113,535. This represents an increase of \$82,419 from the previous year end of \$1,877,626 or 4.39%. This is due to strong operations once again by the district.

Current assets increased 5.43% to \$1,223,856. This was an increase of \$63,084. Operating revenues and expenses were relatively flat, each varying less than 1%. Accounts receivable have stayed relatively constant which shows

WASHINGTON COUNTY RURAL WATER DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

management is staying on top of billing and doing a good job of collecting. The account for alternate source of water that the district had received and yet to pay had a value of \$134,625. This number remained unchanged from last year. In the past, the District had paid for items and was waiting on the reimbursement. The district will of course spend this money on future projects, and this number fluctuates depending on the timing of payments. Current assets increased due to profitable operations.

Current liabilities were up 10% with all minor increases in various accounts.

Unrestricted amounts of net position were \$1,113,535 for the year ended. It is good to see the performance of the district being reflected in the net position. With good operations, you would expect the net position to increase. Again, the expenditures the District incurred in the past are paying off in the efficiency of the operations. Unrestricted amounts of net position represent the amount available to be used to meet the District's ongoing obligations to creditors and operations of facilities. The District has sufficient funds to meet requirements for cash outlays in the next fiscal years as well as the financial capacity to sustain operations. At the end of the current fiscal year, the District is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal years.

A large portion of the District's net position reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The District uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The Net Investments in Capital Assets decreased due to more depreciation expense being claimed than capital assets purchased this fiscal year. The amount invested in capital assets for the year ended were \$45,759. Depreciation amounted to \$96,669 for 2018, while it was \$92,967 for 2017. The primary acquisitions for 2018 were vehicles for \$45,647 and improvements to the land for \$3800. The District has a lot of long term assets scheduled that run their course annually. Please see the Condensed Tables as well as Table 1 in the Notes for a breakdown of the capital assets being utilized by the District. The amount would have been higher without the Alternate Source of Water account.

While the Statement of Net Position shows the change in financial position of assets, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

Operating profits for the District was \$73,860 for the year ended December 31, 2018, which includes depreciation. The prior year showed \$83,849. The interest expense on the bonds is in this figure of \$53,748. The District is continuing to make its payments on schedule.

The statement of cash flows shows an increase in cash and equivalents of \$45,763. The operations of the District are the driving force behind this number.

The bond payable has been put in the financials, and the cost of issuance has also been put in as an asset to amortize over the life of the bond. The proceeds from the bond have either been spent on assets, or are in the United Bank and Trust account. The amount of unrequested funds is currently being held in an insured account, and can be requested per the District's needs. The money spent on the well fields and river crossing projects can be verified respectively on the balance sheet. There have been six payments made, and \$510,000 of principal has been paid off and currently the bond is on the books at the current portion of \$75,000 and the long-term portion showing \$1,110,000 for a total of \$1,185,000. Also, interest was accrued on the bond, and put in as an expense as a year-end adjustment. The portion payable within the upcoming fiscal year will be shown as a short-term liability and the balance will remain a long-term liability. More information regarding the issuance of the bond can be found in Note Table 2 of the notes to the financial statements.

WASHINGTON COUNTY RURAL WATER DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

CAPITAL ASSET

Capital Assets – The Water District's investment in capital assets as of December 31, 2018 amounts to \$1,939,909 (net of accumulated depreciation). If the alternate source of water had not brought the balance down it would have been \$2,074,534. This investment in capital assets includes land, buildings, improvements, equipment well fields, projects and construction in progress.

Additional information on the District's capital assets can be found in Note A and Table 1 of the notes to the financial statements of this report.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Mr. Darryl Schlabach, Washington County Rural Water District No. 1, 101 S Bern Street, Hanover, KS 66945.

WASHINGTON COUNTRY RURAL WATER DISTRICT NO. 1 - HANOVER, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018

FINANCIAL ANALYSIS - 2018

CONDENSED STATEMENTS OF NET POSITION

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current/other assets	\$ 1,223,856	\$ 1,160,772	\$ 63,084	5.43%
Capital assets	<u>1,939,909</u>	<u>1,987,018</u>	<u>-47,109</u>	<u>-2.37%</u>
Total Assets	<u>3,163,765</u>	<u>3,147,790</u>	<u>15,975</u>	<u>0.51%</u>
Current/other liabilities	93,720	85,164	8,556	10.05%
Long Term liabilities	<u>1,110,000</u>	<u>1,185,000</u>	<u>-75,000</u>	<u>-6.33%</u>
Total Liabilities	<u>1,203,720</u>	<u>1,270,164</u>	<u>-66,444</u>	<u>-5.23%</u>
Net Position				
Net Invested in capital assets	677,010	727,018	-50,008	-6.88%
Restricted	169,500	169,500	0	0.00%
Unrestricted	<u>2,113,535</u>	<u>981,108</u>	<u>132,427</u>	<u>13.50%</u>
Total Net Assets	<u>\$ 1,960,045</u>	<u>\$ 1,877,626</u>	<u>\$ 82,419</u>	<u>4.39%</u>

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Operations	\$ 651,803	\$ 656,871	\$ -5,068	-0.77%
Other	<u>12,120</u>	<u>11,360</u>	<u>760</u>	<u>6.69%</u>
Total Revenues	<u>663,923</u>	<u>668,231</u>	<u>-4,308</u>	<u>-0.64%</u>
Expenses				
Depreciation	96,669	92,967	3,702	3.98%
Operating	<u>493,394</u>	<u>491,415</u>	<u>1,979</u>	<u>0.40%</u>
Total Expenses	<u>590,063</u>	<u>584,382</u>	<u>5,681</u>	<u>0.97%</u>
Excess (deficiency) before contributions	73,860	83,849	-9,989	-11.91%
Changes in Net Position	73,860	83,849	-9,989	-11.91%
Beginning net position	<u>1,877,626</u>	<u>1,782,186</u>	<u>95,440</u>	<u>5.36%</u>
Capital Contributed, Adjust/Benefit Unit	8,559	11,591	-3,032	-26.16%
Ending net position	<u>\$ 1,960,045</u>	<u>\$ 1,877,626</u>	<u>\$ 82,419</u>	<u>4.39%</u>

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF NET POSITION
December 31, 2018

PRIMARY GOVERNMENT-BUSINESS TYPE ACTIVITIES

ASSETS	
CURRENT ASSETS	
United Bank And Trust MMDA	\$ 146,910
Bank of Palmer CD 160K	189,664
Bank of Palmer CD	59,612
Citizens State Bank	248,216
Citizens State Bank-CD	167,020
First Commerce Bank	244,225
Petty Cash	165
Accounts Receivable	7,689
Gary Holle AFLAC Rec	106
Inventories	134,373
Prepaid Expenses	1,313
Prepaid Insurance	24,563
TOTAL CURRENT ASSETS	\$ 1,223,856
CAPITAL ASSETS	
Alternate Source Water	\$ (134,625)
Equip & Water System: River Crossing	161,504
Equip & Water System: Well Field	1,221,450
Equip & Water System: Equipment & Water System	3,805,244
Equip & Water System: Land & Easements	85,517
Equip & Water System: Office & Shop Building	193,028
Equip & Water System: Office Furniture & Equipment	22,408
Equip & Water System: Vehicles	186,748
Equip & Water System: Other	202,276
Bond Issuance Cost	25,498
Accumulated Amortization Depreciation	(10,200)
Accumulated Depreciation-Equipment and Water System	(3,597,319)
Accumulated Depreciation-Office & Shop Building	(55,334)
Accumulated Depreciation- Office Equipment	(21,906)
Accumulated Depreciation-Vehicles	(144,380)
NET CAPITAL ASSETS	\$ 1,939,909
TOTAL ASSETS	\$ 3,163,765
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	\$ 5,030
Payroll Liabilities	(1)
Sales Tax Payable	318
Water Protection Payable	424
Bonds-Current Portion	75,000
Interest Payable	12,949
TOTAL CURRENT LIABILITIES	\$ 93,720
LONG-TERM LIABILITIES	
Bonds	\$ 1,110,000
TOTAL LONG-TERM LIABILITIES	\$ 1,110,000
TOTAL LIABILITIES	\$ 1,203,720
NET POSITION	
Invested in Capital Assets Net of Related Debt	\$ 677,010
Restricted	169,500
Unrestricted	1,113,535
TOTAL NET POSITION	\$ 1,960,045
TOTAL LIABILITIES AND NET POSITION	\$ 3,163,765

See accompanying notes to the financial statements

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	December 31, 2018
OPERATING REVENUES	
Collection Fees	\$ 375
Late Penalty	7,052
Maintenance Fee	192,024
Miscellaneous	3,603
Reading Meter	100
Transfer Fees	325
Water Sales	448,324
TOTAL SALES	\$ 651,803
OPERATING EXPENSES	
Metron-Farnier, LLC-units	\$ 22,702
IDT	21,895
Auditing, Geologists & Legal	3,493
Bank Charges	(176)
Chemicals	21,415
Depreciation/Amorization	96,669
Dues	618
Equipment: Machinery Use on Repairs	880
Equipment: Insurance	4,248
Equipment: Machinery Use on New Lines	952
Equipment: Maintenance & Repairs	2,266
Equipment: Fuel	380
Equipment: Other	7,705
Insurance	25,864
Leak Reporting	140
Lease	6,050
Meeting Expense	11,490
Mileage	375
Miscellaneous Expense	738
Office Expense	8,658
Payroll Expenses	14,535
Postage	3,037
Preventative Maintenance	413
Radio	615
Repairs & Maintenance: Mowing	5,265
Repairs & Maintenance: Supplies	7,372
Repairs & Maintenance: Other	9,534
Retirement Expense	15,837
Salaries	175,097
Shop Expense	814
Tank Maintenance	3,900
Taxes: Clean Drinking Water Fee	2,008
Truck Expense: Gas	8,649
Truck Expense: Maintenance	1,821
Truck Expense: Repairs	831
Truck Expense: Taxes	133
Truck Expense: Other	3,104
Utilities: Electricity	40,179
Utilities: Propane	32
Utilities: Telephone: Darrell's Cell	1,070
Utilities: Telephone: Office	1,931
Utilities: Trash	440
Utilities: Water & Sewer	518
Water Testing	1,424
TOTAL OPERATING EXPENSES	\$ 534,921
NET ORDINARY INCOME	\$ 116,882
OTHER INCOME (EXPENSE)	
Farm	\$ 4,500
Farm Taxes & Repairs	(1,394)
Interest Expense	(53,748)
Interest Income: Citizens State Bank	3,722
Interest Income: First Commerce	485
Interest Income: Other	3,413
TOTAL OTHER INCOME (EXPENSE)	\$ (43,022)
CHANGE IN NET POSITION	\$ 73,860
NET POSITION, BEGINNING OF PERIOD	1,877,626
CAPITAL CONTRIBUTIONS, ADJUSTMENT/BENEFIT UNIT	8,559
NET POSITION, END OF PERIOD	1,960,045

See accompanying notes to the financial statements

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	\$ 649,030
Other receipts farm	4,500
Cash payments for goods and services	<u>(445,639)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>207,891</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash payments for equipment, well field, etc.	(49,559)
Cash Paid For Interest	(53,748)
Cash received miscellaneous source	0
Cash received for adjustment, benefit unit	8,559
Cash payments for retiring bond debt	<u>(75,000)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(169,748)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	7,620
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>7,620</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45,763
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	<u>1,010,049</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>\$ 1,055,812</u></u>

See accompanying notes to the financial statements

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF CASH FLOWS - CONTINUED
Year Ended December 31, 2018

	2018
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	\$
Operating income (loss)	115,488
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	96,669
Change in assets and liabilities:	
(increase) decrease in accounts receivable	(2,879)
(increase) decrease in prepaid insurance	(5,378)
(increase) decrease in prepaid expenses	3,104
(increase) decrease in inventory	(12,168)
increase (decrease) in equity accounts	4,499
increase (decrease) in accounts payable	8,556
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 207,891

**RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
Hanover, Kansas**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity: Rural Water District No. 1, Washington County, Kansas (the District) is a water utility that provides service for domestic, agricultural, and other purposes to rural customers. The district was organized under Kansas law as a quasi-municipal corporation. The District's purpose is to acquire water and water rights, to build and acquire pipelines and other facilities, and to operate the same for the purpose of furnishing water to owners and occupants of land located within the District.

Summary of Significant Accounting Policies: Basis of Presentation and Accounting – The District's financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply applicable GASB pronouncements, including GASB Statement No. 34, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues, and expenses.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included in the Statement of Net Position. Net position (i.e. total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for debt service; and unrestricted components.

Management of the District has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Accounts Receivable and Unbilled Revenue – The District utilizes cycle billing and accrues an estimated amount of revenues for sales unbilled at the end of each reporting period. The unbilled amount plus any amounts billed to customers but not yet received by The District is recorded as accounts receivable and water sales. All accounts receivable as of December 31, 2018 are considered collectible with a balance of \$7,689.

Inventories – Inventories consist primarily of meters, pipe and line maintenance material. Inventories are stated at the lower of cost or market. Cost is determined using the average cost method. As the materials are used, they are charged to the property or capitalized appropriately. The amount of inventory on the books for 2017 is \$122,205 and \$134,373 for 2018.

Property and Equipment – The cost of additions to the District's plant, distribution system and other assets with an estimated useful life in excess of two years are capitalized. Cost includes materials, outside services and if applicable, interest on borrowed funds to finance construction. The District did not capitalize interest during the fiscal year 2018. The

**RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
Hanover, Kansas**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the non-operating section of the statement of revenues, expenses, and changes in net position. Please refer to Table 1 for breakdown of capital assets and useful lives information.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Debt Issue Costs – Costs related to the issuance of debt are amortized under the straight-line method over the life of the bonds.

Income Taxes – The District is a quasi-governmental unit, not subject to federal or state income taxes.

Capital Contributions – Transmission and distribution system assets contributed to the District are capitalized at the members' costs, which approximate fair value, and recorded as capital contributions when received.

Net Position – Net position comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Invested in Capital Assets, Net of Related Debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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Cash and Equivalents/ Investments: Cash includes all monies in the bank and highly liquid investments with maturity dates of less than three months. The carrying value of cash approximates fair value because of the short maturities of those instruments. Investments are stated at cost and consist of certificates of deposit which have an original maturity date longer than three months. All investments are in financial institutions insured by the FDIC. Investments in excess of \$250,000 FDIC insurance are collateralized with bank instruments.

A breakdown of cash and investments:

United Bank MMDA account	\$146,910
Bank of Palmer CD	\$189,664
Bank of Palmer CD	\$59,612
Citizens State Bank	\$248,216
Citizens State Bank CD	\$167,020
First Commerce Bank	\$244,225
Petty Cash	\$165

Total \$1,055,812 carrying amount of deposits

Accounts Payable: The carrying amount of accounts payable at the end of the year was \$18,720.

Fair Value of Financial Instruments: "Disclosure about Fair Value of Financial Instruments," requires certain disclosures regarding the fair value of financial instruments. Cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, as shown in the financial statements at fair value because of the short-term maturity of these instruments, (which is also their carrying value.)

The Statement of Cash Flows was prepared with the Direct Method and a reconciliation of net income to net cash provided by operating activities has been provided.

The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The District distinguishes between operating and non-operating revenues and expenses in its Statement of Revenues, Expenses and Changes in Net Position. For this purpose, the District's operating revenues result from providing water to the benefit units on the grid, as well any fees associated with providing this. Operating expenses include the cost attributed to administration, client services, utilities, maintenance and operations and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Risk Management: The District 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 for which the District purchases commercial insurance. During the year ended December 31, 2018 the District did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year and include but are not limited to fuel, prepaid insurance, engineering fees, etc.

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WASHINGTON COUNTY, KANSAS
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**NOTES TO FINANCIAL STATEMENTS
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Investment Income: Investment Income for the year ended December 31, 2018 was \$7,620 which was all interest on bank deposits.

Revenues/Expenses: The major categories of revenue and expense items, water sales and activities, operating expenses, administrative expenses, etc. are shown separately on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

Bond Payable: A resolution of Rural Water District No. 1, Washington County, Kansas, approving the issuance by The Kansas Rural Water Finance Authority of \$1,695,000 aggregate principle amount of Kansas Rural Water Finance Authority Revenue Bonds, Series B, 2010, (Rural Water District No. 1, Washington County, Kansas) to provide financing for the construction and acquisition of certain water distribution system improvements of said rural water district; authorizing the execution of a promissory note, pledge of revenues agreement and ancillary financing documents between said rural water district and the Kansas Rural Water Finance Authority dates as of July 1, 2010, which contain certain covenants and provisions respecting the operation and revenues of the district's water distribution system and other matters relating thereto which will provide for the payment of such bonds. As of December 31, 2018, all \$1,695,000 had been received. Please Refer to Management Discussion and Analysis and Table 2 for more information pertaining to Bond Issuance.

GASB 40 Disclosures

Custodial Credit Risk-This is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the District's investments are held in the name of the District. The District is not subject to custodial credit risk as the deposits are covered by depository insurance.

Credit Risk- This is risk that an investment will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The District's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

Interest Rate Risk- As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment portfolio to short term investments. At year end, the District's deposits and investments were all invested in such accounts, and in fact are all current and liquid.

Concentration of Credit Risk-The entity is not subject to this risk even though all of its deposits are with the same banking institution because they are guaranteed through FDIC insurance. The balance of deposits in the bank are below the federal limit of \$250,000.

Bond Reserve Account: Kansas Department of Health and Environment requires a 10% reserve account of the issuance of the bond. That amount is \$169,500 and is shown as a restricted asset.

Use of Restricted/Unrestricted Net Assets: When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted assets first.

Net revenues of the District have been pledged as security for the debt, and the District is required to have net revenues, as defined in the debt agreements, in each year of at least 125% of that year's principal and interest payment requirements. This requirement was not met for the year ended December 31, 2018.

**RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
Hanover, Kansas**

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Defined Benefit Pension Plan

The District participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. KPERs' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERs website at www.kpers.org or by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERs member-employee contribution rates. KPERs has multiple benefit structures and contribution rates depending on whether the employee is a KPERs 1, KPERs 2 or KPERs 3 member. KPERs 1 members are active and contributing members hired before July 1, 2009. KPERs 2 members were first employed in a covered position on or after July 1, 2009, and KPERs 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERs member employee contribution rate at 6% of covered salary for KPERs 1, KPERs 2 and KPERs 3 members. Member contributions are withheld by their employer and paid to KPERs according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates for KPERs 1, KPERs 2 and KPERs 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from (non-school municipality) were \$14,328 for the year ended December 31, 2017.

Net Pension Liability

At December 31, 2017, the (non-school municipality)'s proportionate share of the collective net pension liability reported by KPERs was \$132,679. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The (non-school municipality)'s proportion of the net pension liability was based on the ratio of the (non-school municipality)'s contributions to KPERs, relative to the total employer and nonemployer contributions of the Local subgroup within KPERs. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement. The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERs collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

Litigation: There is no pending litigation noted for the District as of the date the audit report was issued.

Subsequent Events: The financial statements considered subsequent events through February 11, 2019 the date the financial statements were available to be issued as management reviewed events through aforementioned date.

Compliance With Kansas Statutes: References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the Water District. There were no apparent statutory violations during the year ended December 31, 2018.

WASHINGTON COUNTRY RURAL WATER DISTRICT NO. 1 - HANOVER, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Table 1

ASSET

Buildings

Water Transmission/Distribution System

Equipment

Vehicles

LIFE

33-50 Years

33-40 Years

6-10 Years

5 Years

2017 YEAR END	COST	ACCUMULATED DEPRECIATION	COST LESS DEPRECIATION
Equipment & Water Systems/Well Field/River Crossing	5,390,361	3,513,539	1,876,822
Land & Easements	81,717	0	81,717
Office & Shop Building	193,028	51,474	141,554
Office Furniture & Equipment	22,408	21,442	966
Vehicles	141,101	137,090	4,011
Bond Issuance Cost	25,498	8,925	16,573
TOTAL	\$ 5,854,113	\$ 3,732,470	\$ 2,121,643

2018 YEAR END	COST	ACCUMULATED DEPRECIATION	COST LESS DEPRECIATION
Equipment & Water Systems/Well Field/River Crossing	5,390,473	3,597,318	1,793,155
Land & Easements	85,517	0	85,517
Office & Shop Building	193,028	55,334	137,694
Office Furniture & Equipment	22,408	21,906	502
Vehicles	186,748	144,380	42,368
Bond Issuance Cost	25,498	10,200	15,298
TOTAL	\$ 5,903,672	\$ 3,829,138	\$ 2,074,534

Table 2

STATEMENT OF CHANGES IN LONG - TERM DEBT

For the Year Ended December 31, 2018

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Revenue Bond B Series 2010	1.0-4.6%	\$ 1,695,000	10/1/2030	\$ 1,260,000	\$ 0	\$ -75,000	\$ -75,000	\$ 1,185,000	\$ 53,748

Principle Payments Made

2011	\$40,000
2012	\$60,000
2013	\$65,000
2014	\$65,000
2015	\$65,000
2016	\$70,000
2017	\$70,000
2018	\$75,000
Total	\$510,000

\$470,000*
KANSAS RURAL WATER FINANCE AUTHORITY
REFUNDING REVENUE BONDS
SERIES A, 2019
(Rural Water District No. 1, Washington County, Kansas)

APPENDIX B

Debt Service Schedule

* Subject to change.

\$470,000*
Kansas Rural Water Finance Authority
Refunding Revenue Bonds
Series A, 2019
(Rural Water District No. 1, Washington County)

Payment Date	Principal	Interest Rate	Interest	Total Debt Service	Fiscal Year Debt Service
10/01/2020	\$ 40,000	_____%			
04/01/2021					
10/01/2021	35,000	_____%			
04/01/2022					
10/01/2022	35,000	_____%			
04/01/2023					
10/01/2023	40,000	_____%			
04/01/2024					
10/01/2024	40,000	_____%			
04/01/2025					
10/01/2025	40,000	_____%			
04/01/2026					
10/01/2026	45,000	_____%			
04/01/2027					
10/01/2027	45,000	_____%			
04/01/2028					
10/01/2028	45,000	_____%			
04/01/2029					
10/01/2029	50,000	_____%			
04/01/2030					
10/01/2030	55,000	_____%			
Totals	\$470,000		\$	\$	\$

* Subject to change.