

ADDENDUM DATED NOVEMBER 5, 2019

TO THE PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 29, 2019

\$19,115,000*

**WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS
WATER REVENUE REFUNDING BONDS
SERIES 2019**

(*preliminary; subject to change)

The Preliminary Official Stated dated October 29, 2019, was inadvertently posted without the “red herring” language along the left margin of the cover page.

The cover page to the Preliminary Official Statement is hereby supplemented to include such language, as shown in the attached.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

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**NEW ISSUE
Book-Entry Only**

RATINGS: S&P Global Ratings: AAA

*In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Water District, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"): (1) the interest on the 2019 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; (2) the interest on the 2019 Bonds is exempt from income taxation by the State of Kansas; and (3) the 2019 Bonds have **not** been designated as "qualified tax-exempt obligations" within the meaning of Code § 265(b)(3). See "TAX MATTERS" herein.*



**WATER DISTRICT NO. 1 OF JOHNSON
COUNTY, KANSAS**

\$19,115,000*

Water Revenue Refunding Bonds, Series 2019

Dated: Date of Delivery

Due: January 1 and July 1, as shown on the inside cover

The 2019 Bonds, as herein defined, will be issued by Water District No. 1 of Johnson County, Kansas (the "Water District") as fully registered bonds 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 2019 Bonds. Purchases of the 2019 Bonds will be made in book-entry form, in the denominations of \$5,000 or integral multiples thereof. Beneficial Owners (herein defined) of the 2019 Bonds will not receive certificates representing their interests in the 2019 Bonds purchased. So long as Cede & Co. is the Registered Owner of the 2019 Bonds, as nominee of DTC, references herein to Registered Owners shall mean Cede & Co., as aforesaid, and shall not mean Beneficial Owners of the 2019 Bonds. See "THE 2019 BONDS - Book-Entry Only System".

Principal and interest will be payable semiannually on each January 1 and July 1, beginning July 1, 2020. Principal on the 2019 Bonds will be payable upon presentation and surrender of the 2019 Bonds at the office of the Treasurer of the State of Kansas in the City of Topeka, Kansas (the "Bond Registrar" and "Paying Agent"). Interest payable on the 2019 Bonds will be paid to the person in whose name such 2019 Bond is registered at the close of business on the 15th day of the month (whether or not a business day) next preceding such interest Payment Date, by check or draft of the Paying Agent mailed to such registered owner, or, under certain circumstances, by electronic transfer of funds.

The 2019 Bonds are special obligations of the Water District payable on a parity with the Parity Bonds solely from and secured by a pledge of and lien on the Pledged Revenues derived by the Water District from the operation of the Water System. The 2019 Bonds are not an obligation of Johnson County, Kansas, the State of Kansas or any political subdivision thereof, and are not payable in whole or in part from the proceeds of ad valorem taxes. See "SECURITY AND SOURCES OF PAYMENT" herein.

The 2019 Bonds are offered when, as and if issued and received by the Underwriter, subject to approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel to the Water District. Certain legal matters will be passed upon for the Water District by its General Counsel. It is expected that the 2019 Bonds in definitive form will be available for delivery through the DTC book-entry system on or about December 10, 2019.

This cover page contains certain information for convenient reference only. It is not a summary of issues. An investment in the 2019 Bonds involves a certain degree of risk. Investors must read the entire Official Statement, including without limitation, the appendices and the caption "RISK FACTORS" herein for a description of certain risk factors which should be considered in connection with an investment in the 2019 Bonds.

Preliminary Official Statement Dated: October 29, 2019.

**PIPER JAFFRAY & CO.
Financial Advisor**

**preliminary, 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.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Maturity Schedule

\$19,115,000*

Water Revenue Refunding Bonds, Series 2019

SERIAL BONDS

<u>Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>CUSIP ¹ 47875P</u>
7/1/2020	\$250,000			
1/1/2021	1,280,000			
7/1/2021	250,000			
1/1/2022	1,375,000			
7/1/2022	250,000			
1/1/2023	1,435,000			
7/1/2023	250,000			
1/1/2024	1,510,000			
7/1/2024	250,000			
1/1/2025	2,510,000			
7/1/2025	250,000			
1/1/2026	2,590,000			
7/1/2026	250,000			
1/1/2027	1,340,000			
7/1/2027	250,000			
1/1/2028	1,400,000			
7/1/2028	250,000			
1/1/2029	1,440,000			
7/1/2029	250,000			
1/1/2030	1,485,000			
7/1/2030	250,000			

(Accrued interest, if any, to be added)

Optional Redemption of the 2019 Bonds. At the option of the Water District, 2019 Bonds maturing on January 1, 2027, and thereafter, may be called for redemption and payment prior to maturity in whole or in part on July 1, 2026, or on any date thereafter (selection of the principal amount and maturity of the 2019 Bonds to be redeemed to be designated by the Water District in such manner as it may determine), at the redemption price of 100% of the principal amount thereof plus accrued interest thereon to the Redemption Date without premium.

¹ CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Capital IQ, a subsidiary of S&P Global, and is included solely for the convenience of the Owners of the 2019 Bonds. Neither the Water District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

**preliminary, subject to change*

Water District No. 1 of Johnson County, Kansas
10747 Renner Blvd
Lenexa, Kansas 66219

WATER DISTRICT BOARD

Robert P. Reese*Board Chair*
Mark Parkins*Board Vice Chair*
Brenda Cherpitel*Board Member*
Terrence D. Frederick*Board Member*
Kay Heley*Board Member*
Robert S. Olson*Board Member*
Dennis Wilson*Board Member*

GENERAL MANAGEMENT

Michael J. Armstrong..... *General Manager*
Eric R. Arner..... *General Counsel · Director of Legal/Auditing*
Darin L. Kamradt*Treasurer · Director of Finance*
Michelle Wirth *Director of Production*
Daniel J. Smith.....*Director of Distribution*
Mandy Cawby.....*Director of Customer Relations*
Janet Barrow *Director of Human Resources/Administration*
Jorge O’Neill.....*Director of Information Technology*

BOND COUNSEL
GILMORE & BELL, P.C.
Kansas City, Missouri

FINANCIAL ADVISOR
PIPER JAFFRAY & CO.
Leawood, Kansas

GENERAL COUNSEL
ERIC R. ARNER
Water District No. 1 of Johnson County, Kansas

CONSULTING ENGINEER
BLACK & VEATCH CORPORATION
Kansas City, Missouri

INDEPENDENT ACCOUNTANTS
RUBINBROWN LLP
Kansas City, Missouri

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2019 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2019 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE 2019 BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE 2019 BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE 2019 BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS THAT ARE "FORWARD-LOOKING STATEMENTS" AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS OFFICIAL STATEMENT, THE WORDS "ESTIMATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE WATER DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

THIS PRELIMINARY OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE WATER DISTRICT FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

No dealer, broker, salesperson or other person has been authorized by the Water District to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 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 set forth herein has been obtained from the Water District and other sources, which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the underwriter. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Water District since the date hereof. This Official Statement does not constitute a contract between the Water District or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the 2019 Bonds.

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OFFICIAL STATEMENT

Relating to

\$19,115,000*

Water Revenue Refunding Bonds, Series 2019

**of WATER DISTRICT NO. 1
OF JOHNSON COUNTY, KANSAS**

INTRODUCTION AND SUMMARY

Water District No. 1 of Johnson County, Kansas (the “Water District”) furnishes this Official Statement in connection with the offering of \$19,115,000* aggregate principal amount of Water Revenue Refunding Bonds, Series 2019 (the “2019 Bonds”), dated as of their issue date (expected to be December 10, 2019). This Official Statement, which includes the cover page and appendices, provides information concerning the Water District, the 2019 Bonds and the water supply and distribution system owned and operated by the Water District (see “THE WATER SYSTEM”).

The following material is qualified in its entirety by the more complete information contained throughout this Official Statement, and detachment or other use of this “INTRODUCTION AND SUMMARY” without the entire Official Statement, including the cover page and the appendices, is unauthorized.

Certain capitalized words and phrases used in this Official Statement have the meanings as defined in the 2019 Bond Resolution unless the context shall clearly indicate that another meaning is intended. See the “Summary of Certain Provisions of the 2019 Bond Resolution” attached hereto as Appendix A. For a complete statement of the details and conditions of the issuance of the 2019 Bonds, reference is made to the 2019 Bond Resolution, copies of which are available from the Water District upon written request.

The Water District

The Water District is a quasi-municipal body corporate of the State of Kansas. When the Water District was organized in 1953, it encompassed approximately 47 square miles in the western portion of the Kansas City metropolitan area. Currently, the Water District encompasses approximately 272 square miles, most of which is in Johnson County, with portions in Miami and Wyandotte counties. The Water District has the exclusive right to provide treated pressurized water by pipeline within its boundaries, providing water on a retail basis to all or a portion of 17 municipalities as well as certain unincorporated areas. The Water District's December 2018 population was estimated to be 443,000. The weighted average number of customers served through December 31, 2018 was 147,225. See “THE WATER DISTRICT” and “THE WATER SYSTEM” herein.

The Water District is governed by a seven-member board, elected by registered voters within the boundaries of the Water District (the “Board”). See “THE WATER DISTRICT – Governing Board” herein.

Purpose of the 2019 Bonds

The proceeds of the 2019 Bonds, together with available Water District funds, will be used to (a) current refund \$21,770,000 of the Water District’s Water Revenue Bonds, Series 2010; (b) pay the cost of issuance for the 2019 Bonds; and (c) fund the 2019 Bond Reserve Account. The current refunding is being undertaken in order to structure a lower debt service, create interest cost savings and provide an orderly plan of financing. See “THE REFUNDING PLAN”.

**preliminary, subject to change*

Security for the 2019 Bonds

The 2019 Bonds are special obligations of the Water District payable on a parity with the Parity Bonds (defined herein) solely from and secured by a pledge of and lien on the Pledged Revenues (as hereinafter defined). The principal of and interest on the 2019 Bonds are not payable from any general tax or special taxation fund or source.

The 2019 Bonds are not an obligation of Johnson County, Kansas, the State of Kansas, or any political subdivision thereof, and are not payable in whole or in part from the proceeds of ad valorem taxes. There is no mortgage securing the 2019 Bonds. See “SECURITY AND SOURCES OF PAYMENT” herein.

Parity Bonds

“Parity Bonds” means the 2012 Bonds, 2014 Bonds, 2017A Bonds, 2017B Bonds, 2019 Bonds and any additional bonds or other obligations of the Water District issued pursuant to the Parity Bond Resolutions on a parity therewith.

The Parity Bonds Outstanding as of the issue date of the 2019 Bonds will be as follows:

Series	Original Principal Amount	Principal Amount Outstanding*	Final Maturity
Water Revenue Bonds, Series 2010 (the “2010 Bonds”)	\$28,890,000	\$0 ^(a)	1/1/2020 ^(a)
Water Revenue Refunding Bonds, Series 2012 (the “2012 Bonds”)	6,605,000	480,000	1/1/2020
Water Revenue Bonds, Series 2014 (the “2014 Bonds”)	86,350,000	84,870,000	1/1/2033
Water Revenue Refunding Bonds, Series 2017A (the “2017A Bonds”)	110,205,000	101,565,000	1/1/2033
Water Revenue Bonds, Series 2017B (the “2017B Bonds”)	40,105,000	39,355,000	7/1/2042
Water Revenue Bonds, Series 2019*	19,115,000 *	<u>19,115,000 *</u>	7/1/2030
Total Outstanding Parity Bonds		\$245,385,000 *	

(a) On the issue date of the 2019 Bonds, proceeds of the 2019 Bonds and other funds of the Water District in an amount sufficient to pay the 2010 Bonds in full on January 1, 2020 will be deposited with the Escrow Agent. Thus, the 2010 Bonds will be defeased, and will no longer be considered Outstanding under the 2010 Bond Resolution after the issue date of the 2019 Bonds.

**preliminary, subject to change*

Rates; Rate Covenant

The Water District’s Board has the sole power and authority to determine and fix all water rates. See “THE WATER SYSTEM – Rate Setting” herein.

The Water District has agreed in the 2019 Bond Resolution to maintain Net Revenues, adjusted to exclude any revenues or expenses resulting from a gain or loss, or mark-to-market change in Hedge Agreements, if any, in each Fiscal Year in an amount equal to at least 125% of the amount required to be paid on account of the principal and interest due in such Fiscal Year on the Parity Bonds. See “SECURITY AND SOURCES OF PAYMENT - Rate Covenant” herein.

Additional Bonds

As long as the 2019 Bonds remain outstanding, the Water District agrees that it will not issue any additional bonds payable out of the Pledged Revenues of the Water System which are superior in lien to the 2019 Bonds. The Water District may issue additional Parity Bonds without limit upon compliance with the additional bonds test as described in “SECURITY AND SOURCES OF PAYMENT – Additional Bonds”.

Independent Accountants

The financial statements as of December 31, 2018 and December 31, 2017 have been audited by RubinBrown LLP, the Water District’s independent auditor, and are included in this Official Statement as Appendix B. RubinBrown LLP, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. RubinBrown LLP also has not performed any procedures related to this Official Statement.

SOURCES AND USES OF FUNDS

The table that follows summarizes the estimated sources and uses of funds related to the sale of the 2019 Bonds and the refunding of the Refunded Bonds (as defined herein).

Source of Funds:

Principal Amount of 2019 Bonds	\$	19,115,000.00 *
Net Original Issue Premium /OID		
Transfer from 2010 Bond Reserve Account		1,499,990.00
Transfer from 2010 Principal and Interest Account		1,236,793.75
	Total \$	<hr style="width: 150px; margin-left: auto; margin-right: 0;"/>

Use of Funds:

Deposit to Escrow Agent for the 2010 Bonds	\$	22,211,793.75
Cost of Issuance		
Deposit to the Bond Reserve Account		<hr style="width: 150px; margin-left: auto; margin-right: 0;"/>
	Total \$	

**preliminary, subject to change*

THE 2019 BONDS

Description

The 2019 Bonds will be dated as of the date of issuance and delivery (currently expected to be December 10, 2019). The 2019 Bonds will be issued as fully registered book-entry-only bonds in denominations of \$5,000 or integral multiples thereof (an “Authorized Denomination”). The 2019 Bonds will bear interest at the rates and mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest on the 2019 Bonds will be payable semiannually on January 1 and July 1 in each year (computed on the basis of a 360-day year composed of twelve 30-day months), commencing on July 1, 2020.

Authorization

The 2019 Bonds are being issued by the authority of and in full compliance with the provisions, restrictions and limitations of the constitution and statutes of the State of Kansas, including K.S.A. 19-3501 through 19-3521b and K.S.A. 10-116a, all as amended and all other provisions of the laws of the State of Kansas applicable thereto, and in accordance with the covenants contained in the 2019 Bond Resolution.

Bond Registrar and Paying Agent

The Treasurer of the State of Kansas in the City of Topeka, Kansas, will serve as the bond registrar (the “Bond Registrar”) and paying agent (the “Paying Agent”) for the 2019 Bonds.

Payment of Principal and Interest; Record Date

The principal of the 2019 Bonds is payable to the Registered Owners of the 2019 Bonds by check or draft of the Paying Agent (or, under certain circumstances, by electronic transfer of funds), upon presentation and surrender of the 2019 Bonds for payment and cancellation at the office of the Paying Agent. Interest on the 2019 Bonds is payable by check or draft mailed by the Paying Agent (or, under certain circumstances, by electronic transfer of funds), to the Registered Owners of the 2019 Bonds as of the close of business on the fifteenth (15th) day (whether or not a business day) of the calendar month next preceding any interest Payment Date at the addresses appearing in the registration books maintained by the Bond Registrar.

Redemption Prior to Maturity

The 2019 Bonds

Optional Redemption. At the option of the Water District, the 2019 Bonds maturing on or after January 1, 2027 may be called for redemption and payment prior to maturity, in whole or in part on July 1, 2026, or on any date thereafter (selection of the principal amount and maturity of the 2019 Bonds to be redeemed to be designated by the Water District in such manner as it may determine), at the redemption price of 100% of the principal amount thereof plus accrued interest thereon to the Redemption Date.

[Mandatory Redemption. The 2019 Term Bonds shall be subject to mandatory redemption and payment prior to their stated maturity pursuant to the mandatory redemption requirements hereinafter set forth at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the 2019 Principal and Interest Account shall be sufficient to redeem, and the Water District shall redeem semiannually on January 1 and July 1 in each year as follows, the following principal amounts of such 2019 Term Bonds:

<u>Principal Amount</u>	<u>Payment Date</u>
\$ _____	

_____	*

*Final Maturity]

Selection of Bonds to be Redeemed. 2019 Bonds shall be redeemed only in an Authorized Denomination. When less than all of the 2019 Bonds are to be redeemed and paid prior to their Stated Maturity, such 2019 Bonds shall be redeemed in such manner as the Water District shall determine. 2019 Bonds of less than a full Stated Maturity shall be selected by the Bond Registrar in minimum Authorized Denomination in such equitable manner as the Bond Registrar may determine.

In the case of a partial redemption of 2019 Bonds by lot when 2019 Bonds of denominations greater than a minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each minimum Authorized Denomination of face value shall be treated as though it were a separate 2019 Bond of a minimum Authorized Denomination. If it is determined that one or more, but not all, of the minimum Authorized Denomination value represented by any 2019 Bond is selected for redemption, then upon notice of intention to redeem such minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such 2019 Bond to the Bond Registrar: (1) for payment of the redemption price and interest to the Redemption Date of such minimum Authorized Denomination value called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new 2019 Bond or 2019 Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such 2019 Bond. If the Owner of any such 2019 Bond fails to present such 2019 Bond to the Paying Agent for payment and exchange as aforesaid, such 2019 Bond shall, nevertheless, become due and payable on the Redemption Date to the extent of the minimum Authorized Denomination value called for redemption (and to that extent only).

Notice and Effect of Call for Redemption. Unless waived by any Owner of 2019 Bonds to be redeemed, if the Water District shall call any 2019 Bonds for redemption and payment prior to the Stated Maturity thereof, the Water District shall give written notice of its intention to call and pay said 2019 Bonds to the Bond Registrar and the State Treasurer. In addition, the Water District shall cause the Bond Registrar to give written notice of redemption to the Owners of said 2019 Bonds. Each of said written notices shall be deposited in the United States first class mail not less than 30 days prior to the Redemption Date.

All official notices of redemption shall be dated and shall contain the following information: (a) the Redemption Date; (b) the redemption price; (c) if less than all Outstanding 2019 Bonds of a series are to be redeemed, the identification (and, in the case of partial redemption of any 2019 Bonds, the respective principal amounts) of the 2019 Bonds to be redeemed; (d) a statement that on the Redemption Date the redemption price will become due and payable upon each such 2019 Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and (e) the place where such 2019 Bonds are to be surrendered for payment of the redemption price, which shall be the principal office of the Paying Agent. The failure of any Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

Prior to any Redemption Date, the Water District shall deposit with the Paying Agent an amount of money sufficient to pay the redemption price of all the 2019 Bonds or portions of 2019 Bonds that are to be redeemed on such Redemption Date. Official notice of redemption having been given as aforesaid, the 2019 Bonds or portions of 2019 Bonds to be redeemed shall become due and payable on the Redemption Date, at the redemption price therein specified, and from and after the Redemption Date (unless the Water District defaults in the payment of the redemption price) such 2019 Bonds or portion of 2019 Bonds shall cease to bear interest.

For so long as the Securities Depository is effecting book-entry transfers of the 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 2019 Bond (having been mailed notice from the Bond Registrar, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the 2019 Bond so affected, shall not affect the validity of the redemption of such 2019 Bond.

In addition to the foregoing notice, the Water District shall provide such notices of redemption as are required by the Disclosure Undertaking. The Paying Agent is also directed to comply with any mandatory or voluntary standards then in effect for processing redemptions of municipal securities established by the State or the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any 2019 Bond.

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2019 Bonds. The 2019 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 2019 Bonds, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings 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.

Purchases of 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2019 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 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2019 Bonds, except in the event that use of the book-entry system for the 2019 Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 Water District 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 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 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 Water District 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 Water District, 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 Water District 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.

A Beneficial Owner shall give notice to elect to have its 2019 Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such 2019 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2019 Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of the 2019 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2019 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2019 Bonds to the Paying Agent's DTC account.

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

The Water District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2019 Bond certificates will be printed and delivered to DTC.

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

THE REFUNDING PLAN

In order to structure a lower debt service, create interest cost savings and provide an orderly plan of financing the Water District’s current objectives, the proceeds of the 2019 Bonds, together with moneys currently held in the 2010 Bond Reserve Account and the 2010 Principal and Interest Account will be applied to currently refund all of the Water District’s Outstanding Water Revenue Bonds, Series 2010 (the “2010 Bonds”) currently Outstanding in the total principal amount of \$21,770,000, with such refunded bonds more particularly described as follows (the “Refunded Bonds”):

<u>Maturity Date</u>	<u>Maturity Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP (Base: 478754)</u>
1/1/2020	\$795,000	3.00%	---	100%	4F8
7/1/2020	805,000	3.25%	January 1, 2020	100%	4G6
7/1/2022 (T)	3,400,000	4.50%	January 1, 2020	100%	4L5
1/1/2023	900,000	3.25%	January 1, 2020	100%	4M3
1/1/2025 (T)	4,720,000	4.50%	January 1, 2020	100%	4R2
1/1/2027 (T)	4,660,000	3.50%	January 1, 2020	100%	4V3
7/1/2030 (T)	6,490,000	4.25%	January 1, 2020	100%	5C4

(T) Term Bond

Contemporaneously with the issuance and delivery of the 2019 Bonds, an amount sufficient to pay the Refunded Bonds in full on January 1, 2020 will be deposited in a trust fund (the “Escrow Fund”) created under an Escrow Trust Agreement (the “Escrow Trust Agreement”) to be entered into by and between the Water District and UMB Bank, N.A., (the “Escrow Agent”), together with irrevocable instructions to use such funds for the redemption of the Refunded Bonds on January 1, 2020. Upon making the deposit of such moneys with the Escrow Agent for the Refunded Bonds, the Refunded Bonds will no longer be Outstanding pursuant to any Parity Bond Resolution.

SECURITY AND SOURCES OF PAYMENT

Lien on Pledged Revenues

The 2019 Bonds are special obligations of the Water District payable on a parity with the Parity Bonds solely from and secured by a pledge of and lien on the Pledged Revenues. The 2019 Bonds are not an obligation of Johnson County, Kansas, the State of Kansas, or any political subdivision thereof, and are not payable in whole or in part from the proceeds of ad valorem taxes. There is no mortgage securing the 2019 Bonds. See “Summary of Certain Provisions of the 2019 Bond Resolution” included herein as Appendix A.

“Pledged Revenues” includes Net Revenues (as hereinafter described), Hedge Receipts (as defined in Appendix A hereto), all moneys received by the Water District from the federal government pursuant to Section 54AA of the Code or other direct payments made to the Water District by the federal government in connection with the issuance of Bonds and all moneys paid or required to be paid into, and all moneys and securities on deposit, from time to time, in the funds and accounts specified in the 2019 Bond Resolution, but only to the extent the resolutions of the Water District authorizing the issuance of Bonds permit such funds and accounts to be used to pay the principal of, premium, if any, and interest on such series of Bonds.

“Revenues” includes all revenues derived by the Water District from the operation of the Water System, including, but not limited to, the income in the form of Water System development charges, the investment of any of the funds created by the Parity Bond Resolutions and the resolutions authorizing any other revenue bonds or other obligations of the Water District and unrestricted income from any other source.

“Operation and Maintenance Expenses” means the reasonable expenses necessary to keep the Water System in good repair and working order, including, without limiting the generality of the foregoing, salaries, wages, costs of materials, water and supplies, insurance, cost of power; any payments authorized by the Board under any retirement or other plan authorized by law and adopted by the Board for the benefit of its employees; any required deposits or payments of rebate to the United States in accordance with the resolutions of the Water District authorizing the issuance of the Bonds; and excluding expenses for extending or enlarging the Water System or for other purposes generally defined as capital additions.

“Net Revenues” is Revenues less the Operation and Maintenance Expenses of the Water System.

The 2019 Bonds stand on parity with respect to the payment of principal and interest from the Pledged Revenues of the Water District with the 2012 Bonds, the 2014 Bonds, the 2017A Bonds, the 2017B Bonds and any bonds or other obligations hereafter issued by the Water District pursuant to the Parity Bond Resolutions (collectively, the “Parity Bonds”).

Rate Covenant

In the 2019 Bond Resolution, the Water District has agreed to fix, establish, maintain and collect such rates, fees and charges for water or water service furnished by or through the Water System, and revise the same from time to time whenever necessary, which rates, fees and charges shall be sufficient to pay the wages and salaries of all officers and employees, any amount owed the Equivalent Security Provider, costs of operation, improvement and maintenance of the Water System, provide adequate depreciation, improvement and extension reserves, provide for the payment at maturity or applicable mandatory redemption, of the principal of the Parity Bonds and pay the interest thereon when due, and create reasonable reserves for such purposes, and sufficient to allow for miscellaneous and emergency or unforeseen expenses. Such rates, fees and charges shall at all times be sufficient so that the Net Revenues of the Water System, adjusted to exclude any revenues or expenses resulting from a gain or loss, or mark-to-market change into any Hedge Agreement, shall be not less than 125% of the Annual Debt Service.

None of the facilities or services afforded by the Water System will be furnished to any user without a reasonable charge being made therefore; provided, however, the Board may determine that it is reasonable to provide without charge facilities or services in the case of emergency services, mutual aid to other governmental entities or the de minimus use of facilities or services for public purposes.

Bond Reserve Fund

The 2019 Bond Resolution ratifies a Bond Reserve Fund, within which there is established a Bond Reserve Account for each series of Parity Bonds. Each account is required to be funded with cash or Equivalent Security, in an amount equal to the Required Reserve Amount. Funds in each such Bond Reserve Account may be used solely for the payment of principal of or interest on the applicable series of the Parity Bonds if moneys in the applicable principal and interest account for such series of Parity Bonds are insufficient to make such payments as they become due. See Appendix A, “Summary of Certain Provisions of the 2019 Bond Resolution”, definition “Required Reserve Amount”.

The 2019 Bond Reserve Account will be funded at closing with proceeds of the 2019 Bonds in the amount of approximately \$920,000 with the final amount to be the Required Reserve Amount for the 2019 Bonds. The Required Reserve Amount will be 5% of the stated Principal amount; provided, however, if the aggregate initial offering price of the 2019 Bonds to the public is less than 98% or more than 102% of par, such offering price shall be used in lieu of the stated Principal amount.

The respective Bond Reserve Accounts for each series of the Parity Bonds are fully funded at the Required Reserve Amounts for each such series of Parity Bonds. The current balances in such Bond Reserve Accounts are: \$4,477,836 for the 2014 Bond Reserve Account, \$5,920,713, for the 2017A Bond Reserve Account, and \$2,084,592 for the 2017B Bond Reserve Account. As of December 1, 2019, all funds from the 2012 Bond Reserve Account will be transferred to the Principal and Interest Fund to pay the final maturity of the 2012 Bonds on January 1, 2020.

**preliminary, subject to change*

Flow of Funds

Water System General Fund. In the 2019 Bond Resolution, the Water District covenants and agrees that, from and after the delivery of the 2019 Bonds, and continuing as long as any of the 2019 Bonds remain Outstanding, all of the Revenues derived and collected by the Water District from the operation of the Water System will be paid and deposited into the Water System General Fund, and that the Revenues shall be segregated and kept apart from all other moneys, revenues, funds and accounts of the Water District and shall not be mingled with any other moneys, revenues, funds and accounts of the Water District. The Water System General Fund shall be used only for the purposes authorized by law, including paying the cost of issuance of the 2019 Bonds, the cost of operation, maintenance, extension and improvement of the Water System, paying the principal of and interest on the water revenue bonds of the Water District issued against the Water System, and creating and maintaining reserves therefor. The Water District covenants and agrees that the moneys in said Water System General Fund will be administered and used solely for the purposes provided in the Parity Bond Resolutions.

Application of Moneys. From and after the delivery of the 2019 Bonds, and continuing as long as any of the Parity Bonds remain Outstanding the Water District will administer and deposit all of the moneys held in the Water System General Fund as follows:

- (a) **Operation and Maintenance.** There shall first be paid all amounts due for Operation and Maintenance Expenses.
- (b) **Principal and Interest Fund.** There shall next be deposited, monthly, on a pro rata basis into each principal and interest account within the Principal and Interest Fund for the Parity Bonds to the extent necessary to meet at the maturity thereof, all interest on and the principal of the Parity Bonds, the following sums:
 - (i) an amount equal to not less than the pro rata amount of interest that will become due on each series of Parity Bonds on the next succeeding interest Payment Date;
 - (ii) an amount equal to not less than the pro rata amount of principal that will become due on each series of Parity Bonds on the next succeeding principal Payment Date;
 - (iii) the amount required to pay the fees, if any, of the Paying Agent to become due in the next month; plus
 - (iv) any amount required to pay Hedge Payments due within 30 days.

The amounts required to be paid and credited to the separate series principal and interest accounts within the Principal and Interest Fund pursuant to this paragraph shall be made at the same time and on a parity with the amounts at the time required to be paid and credited for the payment of the principal of and interest on Parity Bonds under the provisions of the Parity Bond Resolutions.

All amounts deposited to each principal and interest account within the Principal and Interest Fund for the Parity Bonds shall be expended and used by the Water District for the sole purpose of paying the principal of and interest on the applicable series of Parity Bonds as and when the same become due and the fees of the Paying Agent.

If at any time the moneys in the Water System General Fund are insufficient to make in full the payments and credits at the time required to be made to the Principal and Interest Fund and to the principal and interest accounts established to pay the principal of and interest on any Parity Bonds, the available moneys in the Water System General Fund shall be divided among such principal and interest accounts in proportion to the respective principal amounts of said series of Parity Bonds at the time Outstanding which are payable from the moneys in the Principal and Interest Fund.

- (c) **Credit Facility.** The Water District shall, after all amounts required at the time to be paid under the provisions of paragraphs (a) and (b) of this Section shall have been paid, next pay any amount due under a Credit Facility Agreement, including Additional Interest.

(d) **Bond Reserve Fund.** If, at any time, the cash or Equivalent Security in any bond reserve account within the Bond Reserve Fund for the Parity Bonds is insufficient to satisfy the Required Reserve Amount for the applicable series of Parity Bonds, the Water District shall, after all amounts required at the time to be paid under the provisions of paragraphs (a) through (c) of this Section shall have been paid, next deposit on a pro rata basis with amounts to be deposited into each such bond reserve account cash or Equivalent Security as follows:

(i) if, and to the extent, the cash on deposit in a bond reserve account within the Bond Reserve Fund for the Parity Bonds is insufficient to meet the Required Reserve Amount for the applicable series of Parity Bonds and the Water District has determined to satisfy the Required Reserve Amount with additional cash, the Water District shall, within 60 days from the Insufficient Reserve Determination Date, make approximately equal monthly installments of cash in an amount sufficient to restore each such bond reserve account to the Required Reserve Amount within 14 months from the Insufficient Reserve Determination Date; and

(ii) if, and to the extent, the Equivalent Security on deposit in a bond reserve account within the Bond Reserve Fund for the Parity Bonds is insufficient to meet the Required Reserve Amount for the applicable series of Parity Bonds and the Water District has determined to satisfy the Required Reserve Amount with cash or other Equivalent Security, the Water District shall, within 120 days from the Insufficient Reserve Determination Date, make approximately equal monthly installments of cash or Equivalent Security in an amount sufficient to restore each such bond reserve account to the Required Reserve Amount and to pay all required reimbursements of Equivalent Security within 36 months from the Insufficient Reserve Determination Date; provided, however, that any required reimbursements of Equivalent Security shall be made on a pro rata basis to the respective issuers of the Equivalent Security prior to reimbursement of cash in a bond reserve account.

Except as hereinafter provided, all amounts deposited into each bond reserve account within the Bond Reserve Fund for the Parity Bonds shall be expended and used by the Water District solely to prevent any default in the payment of interest on or principal of the applicable series of Parity Bonds if the moneys in the applicable principal and interest account for such Parity Bonds and Water System General Fund are insufficient to pay the interest on or principal of such Parity Bonds as they become due; provided, however, when the Principal amount of any series of Parity Bonds is equal to or less than the amount on deposit in the applicable bond reserve account, funds in such bond reserve account may be used to pay the remaining Principal and interest on such Parity Bonds. If the Water District shall ever be required to expend any amounts held in a bond reserve account, any cash in such bond reserve account shall be drawn down completely before draws are made on Equivalent Security on deposit in such bond reserve account.

(e) **Hedge Payments.** After all amounts at the time required to be paid and deposited under the foregoing provisions of paragraphs (a) through (d) of this Section shall have been so paid and deposited, then there shall next be deposited in accordance with the terms of the resolution of the Water District authorizing their issuance, an amount necessary to pay at the maturity thereof (or upon mandatory redemption), all interest on and the principal of any Bonds with a lien on the Pledged Revenues that is subordinate to the lien of the Parity Bonds and an amount necessary to make any Hedge Payments and Hedge Contingency Payments for subordinate Hedge Agreements.

(f) **Subordinate Lien Bonds.** After all amounts at the time required to be paid and deposited under the foregoing provisions of paragraphs (a) through (e) of this Section shall have been so paid and deposited, then there shall next be deposited in accordance with the terms of the resolution of the Water District authorizing their issuance, an amount necessary to pay the principal of and interest on and to meet any Required Reserve Amounts for any Bonds with a lien on the Pledged Revenues that is subordinate to the lien of the Parity Bonds.

(g) **Equivalent Security Payments.** After all amounts at the time required to be paid and deposited under the foregoing provisions of paragraphs (a) through (f) of this Section shall have been so paid and deposited, then there shall next be paid any interest or premium due for Equivalent Security in the Bond Reserve Fund for the Parity Bonds.

(h) **Additional Reserves.** After all amounts at the time required to be paid and deposited under the foregoing provisions of paragraphs (a) through (g) of this Section shall have been so paid and deposited, then the remaining moneys in the Water System General Fund must be expended by the Board for the establishment of a reserve maintained in the Water System General Fund for extraordinary renewal and replacement cost contingencies, Operation and Maintenance Expenses, necessary material purchase requirements and unfunded contracts and commitments in an amount equal to 1/6th of the Revenues exclusive of Water System development charges for the current Fiscal Year as shown in the adopted budget of the Board; provided, however, if such reserve is ever less than the amount set forth herein, the Water District shall set aside an amount estimated to be sufficient to aggregate such reserve amount in approximately 12 equal monthly amounts until the reserve amount set forth in this subsection is attained.

(i) **Surplus Money.** After all amounts at the time required to be paid and deposited under the foregoing provisions of paragraphs (a) through (h) of this Section shall have been so paid and deposited, then the remaining moneys in the Water System General Fund may be expended for any lawful purpose.

Additional Bonds

Senior Lien Bonds. As long as any of the 2019 Bonds remain Outstanding, the Water District will not issue any System Indebtedness payable out of the Revenues or Pledged Revenues of the Water System which are superior in lien or any other matter to the 2019 Bonds.

Parity Bonds. As long as any of the 2019 Bonds remain Outstanding, the Water District will not issue any Bonds, including refunding bonds, or other Long-Term Indebtedness payable out of the Revenues or Pledged Revenues of the Water System or any part thereof which stand on a parity or equality with the 2019 Bonds unless all of the following conditions are met:

- (a) The Water District is not in default in making any payment at the time required to be made by it into any of the funds created by or referred to in "SECURITY AND SOURCE OF PAYMENT – Flow of Funds – Application of Moneys" herein; and
- (b) The Director of Finance certifies that the average annual Net Revenues of the Water District, adjusted to exclude any revenues or expenses resulting from a gain or loss, or mark-to-market change into any Hedge Agreement, for the two Fiscal Years next preceding the issuance of additional bonds, shall have been equal to at least 125% of the Maximum Annual Debt Service, including the additional bonds proposed to be issued.

In the event that: (i) the Water District has duly adopted a resolution increasing the rates or charges of its Water System and such increased rates or charges have not been in effect during all of the two Fiscal Years immediately preceding the issuance of the additional bonds, (ii) the Water District has acquired a water system within said two-year period that was in operation at the time of its acquisition by the Water District, or (iii) the Water District proposes to issue additional revenue bonds for the purpose of acquiring an existing water system which has been in operation during said two-year period, then, for the purpose of this subsection, the certification required by this subsection will be made by a Consultant and such Consultant may adjust the Net Revenues by adding thereto the estimated amount of additional Net Revenues which would have resulted from the operation of the Water System during said two preceding Fiscal Years if the increased rates or charges would have been in effect during the whole of said two years and if the Water District had included the revenues from any such water system so acquired or proposed to be acquired.

So long as the Water District is not in default in making any payment at the time required to be made by it into any of the funds created by or referred to in "SECURITY AND SOURCE OF PAYMENT – Flow of Funds – Application of Moneys", the Water District may issue Parity Bonds without the coverage certificate referred to in the prior paragraph, provided such Parity Bonds are for the purpose of paying for a project necessary to comply with the requirements of any governmental agency having jurisdiction over the Water System.

In addition to the foregoing, any Variable Rate Bonds issued by the Water District on a parity with the Parity Bonds will have a maximum interest rate which is determined at the time such Variable Rate Bonds are sold.

Subordinate Lien Bonds. The Water District may issue Bonds that have a lien on the Pledged Revenues which is subordinate to the lien of the Parity Bonds upon the terms and conditions set forth in the resolution of the Water District authorizing such subordinate lien Bonds.

Refunding Bonds. The Water District has the right to refund any of the Parity Bonds under the provisions of any law then available. The Parity Bonds or any part thereof may be refunded and the refunding bonds so issued will enjoy complete equality of pledge with any other Outstanding Parity Bonds provided the Water District is not in default in making any payment at the time required to be made by it into any of the funds created by or referred to in “SECURITY AND SOURCE OF PAYMENT – Flow of Funds – *Application of Moneys*” and, if the aggregate Annual Debt Service requirements for the refunding bonds is greater than the aggregate Annual Debt Service requirements for the Parity Bonds being refunded, the Water District shall also comply with the requirement to provide a coverage certificate as referred to above in subparagraph (b) under “SECURITY AND SOURCE OF PAYMENT – Additional Bonds – *Parity Bonds*”.

RISK FACTORS

Legal Matters

Various state and federal laws, constitutional provisions, and regulations apply to the operations of the Water District and to the obligations created by the issuance of the 2019 Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the Water District.

Limitations on Remedies Available to Beneficial Owners of the 2019 Bonds

The enforceability of the rights and remedies of the Beneficial Owners of the 2019 Bonds, and the obligations incurred by the Water District in issuing the 2019 Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of Kansas and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Beneficial Owners of the 2019 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Special Obligations

The 2019 Bonds are special, limited obligations of the Water District. Neither the 2019 Bonds nor the interest thereon constitute a general obligation or indebtedness of, nor is the payment thereof guaranteed by, the Water District, or any governmental subdivision, agency or instrumentality. The 2019 Bonds are not payable in any manner from tax revenues.

Debt Service Source

The 2019 Bonds are payable solely from the Pledged Revenues. While the future ability of the Water District to meet its obligations under the 2019 Bond Resolution is based upon assumptions and business judgments which the Water District believes 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 Water District in amounts sufficient to pay the principal of and interest on the 2019 Bonds as they become due.

Bond Reserve Account

Pursuant to the 2019 Bond Resolution, an amount equal to the Required Reserve Amount will be deposited in the 2019 Bond Reserve Account. Moneys in the respective Bond Reserve Accounts may be invested in Equivalent Security. Moneys, including such Permitted Investments, held in the respective Bond Reserve Accounts may be applied by the Water District to prevent default in payment of the principal of and interest on the corresponding series of Parity Bonds in accordance with the applicable Parity Bond Resolution in the event funds on hand in the applicable Principal and Interest Account are insufficient to provide funds for payments due on any payment date. In the event the Water District is required to sell such Equivalent Security for such purpose, the price realized upon such sale may not equal the Required Reserve Amount.

In the event of a default by the Water District under the 2019 Bond Resolution, moneys deposited in the Principal and Interest Fund and the respective accounts therein 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 Parity Bonds. Such purposes may include preservation of and security for the Water System, maintenance of insurance, payment of expenses incurred in attempting to operate the Water System and payment of other similar costs.

Cash and Equivalent Securities held in each of the Bond Reserve Accounts may be applied only to the payment of principal of and interest on the corresponding series of Parity Bonds secured by such Bond Reserve Account. No other series of Parity Bonds may access cash or Equivalent Security in a Bond Reserve Account not established specifically for such applicable series of Parity Bonds.

Taxation of Interest on the 2019 Bonds

An opinion of Bond Counsel will be obtained to the effect that interest earned on the 2019 Bonds is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (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 2019 Bonds includable in gross income for federal income tax purposes.

The Water District has covenanted in the 2019 Bond Resolution and in other documents and certificates to be delivered in connection with the issuance of the 2019 Bonds to comply with the provisions of the Code, including those which require the Water District to take or omit to take certain actions after the issuance of the 2019 Bonds. Because the existence and continuation of the excludability of the interest on the 2019 Bonds depends upon events occurring after the date of issuance of the 2019 Bonds, the opinion of Bond Counsel described under "TAX MATTERS" assumes the compliance by the Water District 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 2019 Bonds in the event of noncompliance with such provisions. The failure of the Water District to comply with the provisions described above may cause the interest on the 2019 Bonds to become includable in gross income as of the date of issuance.

No Additional Interest or Mandatory Redemption upon Event of Taxability

The 2019 Bond Resolution does not provide for the payment of additional interest or penalty on the 2019 Bonds or the mandatory redemption thereof if the interest thereon becomes includable in gross income for federal income tax purposes. Likewise, the 2019 Bond Resolution does not provide for the payment of any additional interest or penalty on the 2019 Bonds if the interest thereon becomes subject to income taxation by the State.

Premium on 2019 Bonds

[The initial offering prices of certain maturities of the 2019 Bonds that are subject to optional redemption are in excess of the respective principal amounts thereof.]Any person who purchases a 2019 Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the 2019 Bonds are subject to redemption at par under the various circumstances described under "THE 2019 BONDS – Redemption Provisions."

Suitability of Investment

An investment in the 2019 Bonds involves a certain degree of risk. The interest rate borne by the 2019 Bonds (as compared to prevailing interest rates on more secure tax exempt bonds such as those which constitute general obligations of fiscally sound municipalities) is intended to compensate the investor for assuming this element of risk. Furthermore, the tax exempt feature of the 2019 Bonds is 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 individual tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the 2019 Bonds are an appropriate investment.

Market for the 2019 Bonds

Bond Rating. The 2019 Bonds have been assigned the financial ratings set forth in the section hereof entitled "RATING." There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the 2019 Bonds.

Secondary Market. There is no assurance that a secondary market will develop for the purchase and sale of the 2019 Bonds or, if a secondary market exists, that the 2019 Bonds can be sold for any particular price.

Unfunded Pension and Other Post-Employment Benefits Liabilities

The Water District's unfunded pension and other post-employment benefits liabilities could materially adversely affect the financial position of the Water System. See "THE WATER DISTRICT – Employees and Benefits" herein.

Factors Affecting the Water System

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the Water System operations and financial performance to an extent that cannot be determined at this time:

Seasonality. Demand for water during the summer months is generally greater than during winter months due primarily to additional requirements for irrigation. Throughout the year, demand tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the spring, summer and fall are cooler than normal, or if there is more rainfall than normal, the demand for water may decrease and adversely affect the Water District's revenues available to pay debt service on the 2019 Bonds.

Availability of Water. The Water District depends on an adequate water supply to meet the present and future demands of customers. An interruption in water supply could have a material adverse effect on the operations of the Water District. Availability of water at the source due to drought or other conditions, or a change to diversion rights could affect the ability to meet demands. There is no assurance that the Water District will be able to maintain a source of water to supply its customers. The Water District's implementation of emergency water shortages procedures could reduce overall usage and revenues.

Customer Usage. A major factor facing the water utility industry is the challenge of declining customer usage. Similar to other water utilities across the country, average water usage per customer is declining at the Water District. The decline in average usage is due to various factors including mandated low flow water fixtures, successful irrigation conservation programs, and operational efficiencies implemented by industrial customers. The Water District has recognized the trend of declining usage in its budgeting and rate setting and has adjusted financial projections for future years. However, the impact of declining water consumption could potentially impact revenues more significantly than anticipated.

General Economic Conditions. Increased unemployment or other adverse economic conditions or changes in the demographics of the Water District; an inability to control expenses in periods of inflation and difficulties in increasing rates and charges could adversely affect the financial performance of the Water System to an extent that cannot be determined at this time. A general economic downturn may lead to a reduction in discretionary and recreational water use.

Environmental Regulation. Water utilities are subject to continuing environmental regulation. These include the federal Safe Drinking Water Act, the Clean Water Act and similar state laws, and federal and state regulations issued under these laws by the EPA and Kansas Department of Health and Environment. The Water District may be required to expend substantial funds to meet the requirements of such changing laws and regulations in the future. Failure to comply with these laws and regulations may result in the imposition of administrative, civil and criminal penalties, or the imposition of an injunction requiring the Water District to take or refrain from taking certain actions. In addition, the Water District may be required to remediate contamination on properties owned or operated by the Water District or on properties owned by others but contaminated as a result of Water District operations. These laws and regulations establish, among other things, criteria and standards for drinking water and for discharges into the waters of the United States. Pursuant to these laws, the Water District is required to obtain various environmental permits for operations. Violations or noncompliance could result in fines or other sanctions by regulators and/or such violations or noncompliance could result in civil suits. Environmental laws and regulations are complex and change frequently. These laws, and the enforcement thereof, have tended to become more stringent over time. While the Water District has budgeted for future capital and operating expenditures to comply with these laws and permitting requirements, it is possible that new or stricter standards could be imposed that will require additional capital expenditures or raise operating costs.

Operating Expense Risk. Actual operation, maintenance and repair expenses of the System may be greater or less than currently projected. Factors such as damages to facilities and infrastructure, changes in technology, regulatory standards, and increased costs of material, energy, labor and administration can substantially affect expenses. Although the Water District has covenanted to set rates and charges in amounts sufficient to pay operating and

maintenance expenses and debt service on all Water Revenue Bonds in accordance with the provisions of the Parity Bond Resolutions, there can be no assurance that amounts will be so sufficient or that sufficient amounts will be collected. Furthermore, increases in rates and charges could result in a decrease in demand for usage and result in a decrease in revenues.

Project Risk. Operation of the Water System requires significant capital expenditures. Factors such as increased costs of material, energy, labor and administration, construction delays, and unforeseen cost overruns or operational challenges with respect to the implementation of new capital assets may substantially affect the costs of the Water District.

Infrastructure Replacement. The Water District has implemented an asset management program for both its distribution and production facilities to deal with its aging infrastructure. While costs for replacement programs and monitoring of assets are incorporated into the Water District's long range financial plan there is no assurance that estimates on future costs and requirements will be sufficient if inflationary factors are higher than planned or significant portions of infrastructure fail before the estimated life cycle.

Insurance Claims. Increases in the cost of third-party general liability insurance coverage and the amounts paid in settlement of liability claims not covered by third-party insurance could materially adversely affect the financial position of the Water System. The Water District is self-insured for certain potential liabilities that are below the insurance coverage deductibles.

Changes in Management or Policies. Losses of or changes in key management personnel of the Water System or significant changes to District policies could have a materially adverse effect on the financial performance of the Water System.

Natural Disasters or Terrorist Attacks. The occurrence of a terrorist attack in the Water District or natural disasters, such as fires, tornados, earthquakes, floods or droughts, could damage the Water District's facilities, affect water supply, interrupt services or otherwise impair operations and the ability of the Water System to produce revenues.

Cybersecurity Risks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches could create disruptions or shutdowns of the Water District and the services it provides, or the unauthorized disclosure of confidential personal, credit and other information. If a security breach occurs, the Water District may incur significant costs to remediate possible injury to the affected persons, and the Water District may be subject to sanctions and civil penalties. Any failure to maintain proper functionality and security of information systems could interrupt the Water District's operations (including billing operations), delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

FINANCIAL INFORMATION

Water System Debt Service Coverage History

The largest source of the Water District's operating revenue has historically been derived from water sales. System development charges, income received from delinquent service charges, administrative service charges, and miscellaneous income are additional sources of operating revenue for the Water District. The Water District's non-operating revenue is primarily derived from interest income earned on Water District investments. For the purposes of the following table, unrealized gains and losses from investments are excluded from investment income available for debt service. Non-operating expenditures primarily include the payment of principal and interest on the Water District's Outstanding Bonds.

The Water District budgets Revenues and Expenditures based on historical average temperature and precipitation patterns, however, actual water sales and certain operating expenses can vary largely year to year depending if the irrigation months have higher or lower than average precipitation and temperatures. As the Water District experiences an increase of water sales from drier weather and higher gallons produced, it can also experience increases in production costs such as power and chemicals.

The following table provides a five-year history of funds available for debt service coverage prepared by the Water District and, as such, does not purport to present the Water District’s results of operations in conformity with generally accepted accounting principles.

The annual debt service amounts are based on the Fiscal Year’s monthly funding amounts to the principal and interest funds and may vary from the debt service payments of principal and interest to the Paying Agent.

**Five-Year History of Income, Expenses and Debt Service Coverage
Years Ending December 31**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating Revenues & System Development Charges:					
Water Sales	\$96,571,419	\$94,775,765	\$108,586,314	\$105,837,757	\$115,631,746
System Development Charges (SDCs)	10,471,230	7,630,170	9,525,285	9,958,300	9,291,520
Other Operating Revenues	<u>1,302,105</u>	<u>1,289,499</u>	<u>1,329,856</u>	<u>1,359,342</u>	<u>1,466,753</u>
Total Operating Revenues & SDCs	\$108,344,754	\$103,695,434	\$119,441,455	\$117,155,399	\$126,390,019
Operating Expenses (excluding depreciation):					
Water Source, Treatment and Pumping	\$24,532,047	\$22,563,075	\$24,559,593	\$26,285,896	\$28,605,096
Transmission & Distribution	10,978,791	10,839,325	10,942,407	11,408,087	12,438,343
Customer Services	4,088,518	4,025,815	4,282,027	4,428,095	4,737,659
Administrative & General	<u>9,170,371</u>	<u>9,389,045</u>	<u>9,944,276</u>	<u>10,804,719</u>	<u>10,899,876</u>
Total Operating Expenses (excluding depreciation)	\$48,769,727	\$46,817,260	\$49,728,303	\$52,926,797	\$56,680,974
Net Operating Revenues Available for Debt Service	59,575,027	56,878,174	69,713,152	64,228,602	69,709,045
Investment Income (excluding unrealized gains/losses) Available for Debt Service	<u>351,546</u>	<u>547,778</u>	<u>802,784</u>	<u>1,366,533</u>	<u>2,748,103</u>
Net Revenues Avail. for Debt Service	\$59,926,573	\$57,425,952	\$70,515,936	\$65,595,135	\$72,457,148
Annual Debt Service Funding	<u>\$26,606,557</u>	<u>\$25,858,991</u>	<u>\$24,663,482</u>	<u>\$24,167,417</u>	<u>\$21,955,473</u>
Debt Service Coverage Ratio	2.25	2.22	2.86	2.71	3.30
Weighted Average Number of Customers	141,767	143,176	144,543	145,832	147,225

See the discussion of water rate changes in “THE WATER SYSTEM – System Rates and Charges”.

Source: The Water District

The Water District's Total Combined Debt Service

Set forth in the following table are the total debt service requirements of the Water District as of the issue date of the 2019 Bonds shown on an accrual basis.

<u>Year</u>	<u>Outstanding Parity Bond Debt Service⁽¹⁾</u>	<u>Debt Service for 2019 Bonds</u>	<u>TOTAL DEBT SERVICE</u>
2019	\$12,402,163		
2020	18,789,600		
2021	19,529,300		
2022	19,535,350		
2023	19,528,025		
2024	18,601,450		
2025	18,631,850		
2026	19,991,000		
2027	19,985,403		
2028	19,988,403		
2029	19,997,925		
2030	20,997,738		
2031	22,002,400		
2032	22,008,488		
2033	2,461,863		
2034	2,462,263		
2035	2,461,013		
2036	2,461,325		
2037	2,458,550		
2038	2,461,625		
2039	2,462,075		
2040	2,459,900		
2041	2,460,100		
2042	<u>1,017,500</u>		
	Total⁽²⁾		\$295,155,306

⁽¹⁾ Excludes the Refunded Bonds.

⁽²⁾ Numbers may not total due to rounding.

THE WATER SYSTEM

Service Area

The Water District provides service to an approximately 272 square mile area located in Johnson, Miami, and Wyandotte Counties, Kansas. Included within this area are the cities of Fairway, Lake Quivira, Leawood, Lenexa, Merriam, Mission, Mission Hills, Mission Woods, Overland Park, Prairie Village, Roeland Park, Shawnee, Westwood, Westwood Hills, portions of the cities of Olathe, Spring Hill and De Soto as well as certain unincorporated areas. See “THE WATER SYSTEM - Customer Information” hereafter.

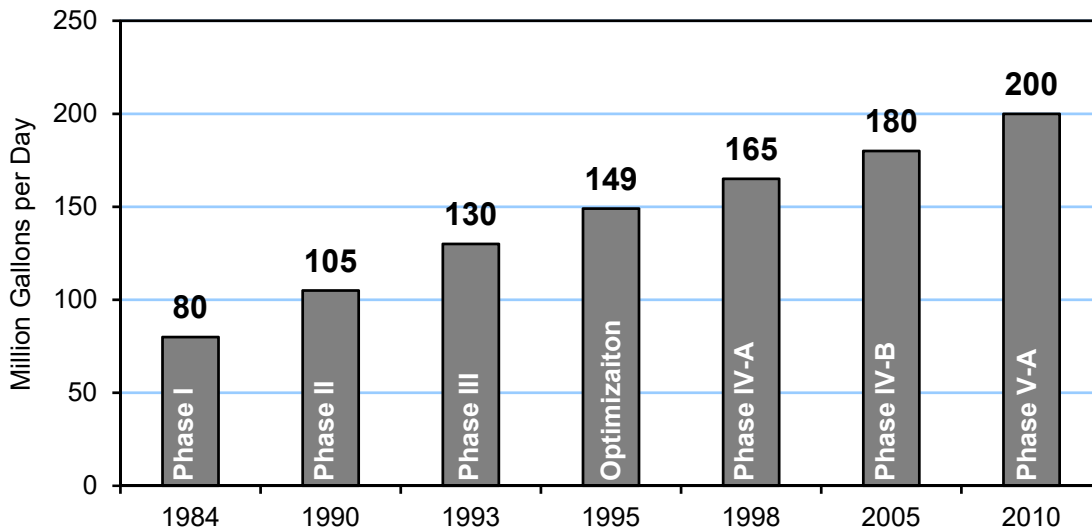
History and the 1977 Missouri River Plan

Organized in 1953, the Water District commenced operations in 1957. Initially, the Water District had a four million gallon per day (mgd) summer peaking treatment plant supported by wells. In addition, the Water District purchased wholesale water from Kansas City, Missouri and Kansas City, Kansas. In the years following, the Water District’s Water System was expanded and, in 1961, a 55 mgd water intake on the Kansas River was installed as an additional water supply source.

In 1977, the governing Board of the Water District adopted a plan (the “Master Plan”) to use the Missouri River as a supplemental source of water supply and to expand treatment and distribution facilities in order to meet the projected growing demands of the Water District’s customers. The Phase I portion of the expansion plan was completed in 1984 and resulted in a production capacity of 80 million gallons per day. In subsequent years, the Water District’s Consulting Engineer periodically completed updates to the Master Plan to reflect increased water demands, updated population projections, new and expanded wholesale customer demands and increased service area due to the annexations of surrounding rural water districts. System improvements through Phase IV-B culminated with an expansion of firm production capacity to 180 mgd per day in 2005. Other improvements through Phase IV-B included treated water transmission and distribution mains and distribution system pumping and storage improvements.

In 2007, the Water District began the Phase V-A portion of the Master Plan related to construction of a treatment plant facility and a horizontal collector well along the Missouri River (the “Wolcott Treatment Plant”). The majority of Phase V-A facilities are in service and the Wolcott Treatment Plant and transmission mains added an additional 20 mgd of firm capacity to the Water District’s treatment, pumping and storage capacity. The Wolcott Treatment Plant and supply facilities are designed to be expanded for more capacity as the water demands and population served by the Water District increase.

PRODUCTION CAPACITY



Population and Demand Forecasting

In 2016, Black & Veatch Corporation, of Kansas City, Missouri, who serve as Consulting Engineers to the Water District, began an update to the Water District’s Master Plan (the “2016 Update”) which was completed in 2017. The objectives of the 2016 Update were to review and update population projections for the Water District’s service area, update future water demands using recent trends, evaluate existing facilities, and prepare recommendations for future water supply and treatment facilities and transmission and distribution improvements. The 2016 Update revised population projections, evaluated changes in water use characteristics and developed updated demand projections to validate in-service dates for Phase V-B, Phase VI, Phase VII and Phase VIII.

Population Projections- 2016 Update	
Year	Water District
2030	498,768
2040	558,768
2050	618,768
2060	678,768

The recommendations developed for water supply and treatment facilities will meet projected demands to year 2060. The detailed transmission and distribution recommendations will meet projected demands to year 2040. The 2016 Update concluded that the annual average day and maximum day demand projections were similar to the projections included in the 2011 Master Plan.

Phased Expansion - 2016 Update			
Phase	Additional Capacity (mgd)	Year In Service	Total Supply Capacity
V-B	10	2026	210
VI	30	2032	240
VII	30	2046	270
VIII	30	2059	300

Sources of Water Supply

The Water District’s water supply consists of ground water and surface water derived from multiple sources. The Source and Treatment facilities built during Master Plan Phases I through IV-B (the Hansen Facilities) are served by a water intake on the Kansas River, collector wells located in the Kansas River valley, a water intake on the Missouri River, and warm water supplies from the Board of Public Utilities of the Unified Government of Wyandotte County/Kansas City, Kansas all of which are located in Wyandotte County. The Wolcott Plant’s (Phase V-A) source consists of a horizontal collector well located in Leavenworth County which draws surface and ground water from the Missouri River.

The Kansas Water Appropriation Act is administered by the Division of Water Resources (“KDWR”) within the Kansas Department of Agriculture (“KDA”), which issues permits to appropriate water, regulates usage, and keeps records of all water rights in the state. The following table sets forth the not-to-exceed volume of water for which the Water District has approved applications and/or rights to annually appropriate water for beneficial use.

SURFACE AND GROUND WATER APPROPRIATION RIGHTS

Location and File #	Perfection Status/Deadline	Acre Feet /Year	Not-to- Exceed Location Specific
<u>Kansas River (Hansen Plant)</u>			
#3677 Ground Water	perfected	10,591	} permits #3677, #3678 and #18180 are limited to a combined maximum of 31,757 acre feet per year
#3678 Surface Water	perfected	30,000	
#18180 Surface Water	perfected	31,757	
#47083 Surface Water	12/31/2028	42,523	
Total Kansas - Hansen Plant		114,871	74,280
<u>Missouri River (Hansen Plant)</u>			
#34145 Surface Water	12/31/2019 (a)	23,000	
#40239 Surface Water	12/31/2019 (a)	23,000	
#42966 Surface Water	12/31/2023	11,500	
<i>Subtotal Surface Water</i>		<i>57,500</i>	<i>57,500</i>
#38706 Warm Water	12/31/2019 (a)	830	
#47137 Warm Water - Ground Water	12/31/2028	830	
<i>Subtotal Warm Water</i>		<i>1,660</i>	<i>830</i>
Total Missouri - Hansen Plant		59,160	58,330
<u>Missouri River (Wolcott Plant)</u>			
#46660 Surface Water	12/31/2027	15,962	
#47581 Surface Water	12/31/2030	34,031	
<i>Subtotal Surface Water</i>		<i>49,993</i>	<i>34,031</i>
#46666 Ground Water	12/31/2027	840	
#47582 Ground Water	12/31/2030	1,791	
<i>Subtotal Ground Water</i>		<i>2,631</i>	<i>1,791</i>
Total Missouri- Wolcott Plant		52,624	35,822
Total - All Water Rights		226,655	
Not-To-Exceed All Locations Combined (acre feet)			150,236
Not-to-exceed limit converted to average million gallons per day (mgd)			134.1
2018 Maximum Day Usage (mgd)			136.9

(a) The Water District submitted an application for extension to perfect water rights to the KDA on September 20, 2019 requesting an additional 10 years to perfect water rights for 34145, 40239 and 38706.

Source: The Water District

Water Rights Application Process - Anyone who wishes to divert water for any purpose other than domestic use must file an application with KDWR. If it is determined that (1) water is available at the desired location; and (2) its appropriation will not interfere with other area water rights, minimum desirable streamflow, or public interest; and (3) it meets all other KDWR requirements, the application may be approved. The applicant then has a period of time to “perfect” the water right by diverting that amount of water for beneficial use. For municipal use the perfection period cannot exceed 40 years. The KDWR has allowed the Water District initial 20 year perfection periods with the option of applying for up to two 10 year extensions.

The combined annual appropriations for the Hansen facilities and the Wolcott facilities of 150,236 acre feet (an average of 134.1 mgd diversion), if fully utilized by the Water District, would provide an adequate water supply for an average daily system usage of 121 million gallons after adjusting for water consumed during the treatment process. The actual annual average daily demand in 2012 (a dry year) was 73.1 million gallons and in 2018 (the last full year) it was 61.2 million gallons.

In conjunction with annual appropriation rights, the KDWR also approves rights related to the maximum day diversion.

<u>Maximum Day Diversion Rights</u>	
Hansen Facilities	
Missouri River	229 mgd
Kansas River	188 mgd
Wolcott Facilities	
Missouri River Collector Well	32 mgd
Total	449 mgd

The maximum daily system demand to date was 157.5 million gallons occurring in July 2012.

In 2018, the last full year of record, the Water District derived 30.68% of its requirements from the Kansas River and the adjoining wellfield near the Kansas River and 69.32% from the Missouri River. Improvements at both the Kansas and the Missouri River intake facilities have given the Water District the operational flexibility to suspend operations at either facility as needed in order to make capital improvements and do major inspections and maintenance.

The Rules and Regulations of the Kansas Water Appropriation Act currently indicates that both the Kansas and Missouri rivers are open to further appropriations for year-round use.

Reservoir Storage - The Water District is a member of the Kansas River Water Assurance District No. 1 (the “Assurance District”). The Assurance District was formed in 1987 and presently has 13 members. The purpose of the Assurance District is to assure, during drought periods, adequate water flows on the Kansas River for the exclusive use of its members. The Assurance District entered into a contract with the State of Kansas for Municipal and Industrial Water Supply Assurance effective December 22, 1989. The contract calls for the State to file for the appropriate water reservation rights on three reservoirs and to divert and store water in those reservoirs. As a group, the volume of water storage is as follows:

Milford Reservoir.....	55,000 acre feet
Tuttle Creek Reservoir.....	41,350 acre feet
Perry Reservoir.....	25,000 acre feet

Water Transmission and Distribution Facilities

When the Water District began operations in 1957, the Water System had 423.5 miles of transmission and distribution mains, of which nearly 163 miles (or 38%) represented mains smaller than six inches in diameter. The distribution system has been improved and expanded with larger diameter mains; currently, the smaller mains only make up 13% of the total transmission and distribution mains. The Water District had a total of 2,719 miles of transmission and distribution mains and 29 miles of source-of-supply mains in service as of December 31, 2018.

Total transmission pumping capacity has been increased from 9 mgd in 1957 to 286.8 mgd in 2018. During this same time, total distribution pumping capacity has been increased from 10 mgd at three pumping stations to 388 mgd at 10 pumping stations. Treated water storage capacity has been increased from 4 million gallons in 1957 to 88.5 million gallons as of December 31, 2018.

The Ralph G. Wyss Pump Station and Reservoir along with related transmission mains were placed into service during the spring of 2016. The reservoir provides an additional storage capacity of 7.5 million gallons to meet the maximum day and maximum hour demands in the southern portion of the Water District’s service area. The project

also includes the building of a facility sufficient in size to add two additional pump station pumps and an additional reservoir pump.

Total utility plant investment, including construction work in progress, has increased from \$15.24 million in 1957 to \$1.06 billion at December 31, 2018, reflecting significant growth in the area served by the Water District.

The Water District's current emergency interconnect capacity consists of several points of connection with five separate utilities. Each utility's ability to provide emergency water through these interconnects to the Water District depends on several factors including the time of year and the current demands that those utilities' distribution systems are experiencing. The largest potential supply from interconnection is with the City of Olathe which has three separate points of interconnection. The Board of Public Utilities, Kansas City, Kansas has two separate points of interconnection. The third utility is Kansas City, Missouri which has two separate points of interconnection. The final two utilities are the City of Spring Hill, Kansas and the City of Bonner Springs, Kansas. In total, the Water District could be provided emergency water from these five utilities at a range of approximately 23 to 48 mgd depending on the host utilities' availability.

Treatment Residuals

The Water District's primary water supplies are the Kansas and Missouri Rivers, which contain naturally turbid, hard water. The raw water, therefore, requires treatment to remove the turbidity and softening to remove the calcium and magnesium hardness. The water treatment and softening process produces a by-product of inert lime residue that is primarily made up of calcium and magnesium hydroxide. Historically, the Water District has deposited the residue from the Hansen Facilities in lime residual treatment facilities (LRTFs) excavated on approximately 409 acres of land owned by the Water District in the flood plain of the Kansas River.

The Wolcott Treatment Plant also requires treatment to remove turbidity and softening to remove the calcium and magnesium hardness. This treatment creates a by-product of inert lime residue similar to that at the Hansen Facilities. As part of Phase V-A, the Water District purchased approximately 300 acres of land along the Missouri River. This land will be used for the collector wells and the LRTFs necessary for Phases V and VI.

Key Operational Factors

The Safe Drinking Water Act established standards for water treatment by the nation's water utilities. To monitor these standards, and as part of the Water District's comprehensive water quality program, the Water District continues to update the technology used in its water quality laboratory. Water quality is maintained through the Water District's operational standards including monitoring during all phases of the production and distribution process.

The Water District monitors existing and pending drinking water rules and regulations and evaluates the Water District's capability to meet them. The Water District's treatment facilities are classified as Bin 1 in accordance with the Stage 2 Disinfectants and Disinfection Byproducts Rule (Stage 2 DBP rule), requiring no additional treatment processes to meet the more stringent regulations. This achievement was due in part to the Water District's proactive approach of implementing new regulations earlier than required.

The Water District will began construction on the Hansen Water Treatment Plant Ozone project in 2017, which was funded in part from 2017B Bonds. The project is progressing as expected with partial utilization expected in late 2019.

The 2011 Master Plan Update recommended that the Phase V-B improvements also include the installation of on-site engine generators to serve as standby power to the Wolcott facilities. The construction of three 2,500 kW natural gas units commenced in 2015 and became operational in 2017. The engine generators provide enough power to produce 30 mgd and are powered by natural gas to deliver an alternate source of power in the event of a service disruption from the Water District's electric provider.

The safety and security of drinking water, the water supply and the Water District's infrastructure have always been considered critical to the Water District's operations. The Water District will be issuing an RFP in the second half of 2019 for consulting services to complete the necessary documents to ensure compliance of the new federal law, America's Water Infrastructure Act of 2018. This effort will include conducting a Risk and Resilience Assessment

(RRA), updating the Emergency Response Plan (ERP), and submitting a certification letter upon completion to the U.S. Environmental Protection Agency (U.S. EPA) for each (RRA and ERP).

Emergency response planning is critical to assuring reliable and safe operations and the Water District has been conducting drills with other agencies on topics such as pandemic planning, natural disaster and terrorist response and employs regular testing on its cybersecurity. The Water District is a charter member of the Kansas Water, Wastewater, Gas and Electric Mutual Aid Program, a part of the national Water and Wastewater Agency Response Networks, making interagency support available to the Water District in times of emergency.

The Water District has acquired all necessary licenses and permits in connection with the facilities in operation and to the best of its knowledge meets all applicable water quality standards.

Water Usage

The following table sets forth the Water District's five year historical water usage. Usage can be highly variable based on weather conditions.

	Historical Water Usage				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total system usage (billion gallons)	21.05	19.58	21.73	20.69	22.35
Average usage per customer (gallons)....	126,340	117,230	130,960	123,690	134,411
Average day usage (mgd)	57.66	53.64	59.37	56.68	61.22
Maximum day usage (mgd)	123.61	103.86	139.37	120.12	136.92
Maximum day produced (mgd)	138.19	122.79	153.11	120.20	141.07
Date of maximum day usage	7/28/2014	8/17/2015	6/22/2016	7/21/2017	7/13/2018
Maximum hourly rate (mgd).....	257.87	231.43	286.82	259.61	300.65

Source: The Water District

Customer Information

The Water District's customers are divided into classes for billing purposes. Throughout its operational history, single-family residential customers have represented the largest percentage of total Water District customers, 91% as of December 2018. As shown in the following table, the Water District has historically experienced increases in the number of total customers served. The Water District does not have any wholesale customers.

Weighted Average Customers by Class

	Residential Single-Family ⁽¹⁾	Residential Multi-Family	Commercial	Total Customers
2009	124,911	4,294	7,948	137,153
2010	125,379	4,324	7,917	137,620
2011	125,891	4,342	7,909	138,142
2012	126,668	4,370	7,982	139,020
2013	127,788	4,420	8,057	140,265
2014	129,114	4,467	8,186	141,767
2015	130,338	4,554	8,284	143,176
2016	131,550	4,621	8,372	144,543
2017	132,730	4,692	8,410	145,832
2018	133,944	4,805	8,476	147,225

(1) Includes duplexes and townhouses.

Source: The Water District

Retail Customers. The largest 15 retail customers of the Water District in 2018, their water usage, and revenue for that year, are shown in the following table:

Major Retail Customers

Customer	Total 2018 Consumption (Millions of Gallons)	% of Total Retail Usage (¹)	Total 2018 Revenue	% of Total Retail Revenue (¹)
1 Coca Cola Bottling	106.46	0.54%	\$439,865	0.38%
2 Blue Valley School District	85.41	0.43%	472,381	0.41%
3 Johnson County Wastewater	80.47	0.41%	365,038	0.32%
4 City of Overland Park	69.66	0.35%	384,617	0.33%
5 Shawnee Mission School District	62.03	0.31%	347,091	0.30%
6 Shawnee Mission Medical Center	58.48	0.30%	304,755	0.26%
7 Corporate Woods	56.95	0.29%	295,413	0.26%
8 City of Lenexa	53.13	0.27%	306,636	0.27%
9 Sprint World Headquarters	52.75	0.27%	255,017	0.22%
10 Ceva Biomune	47.30	0.24%	198,910	0.17%
11 Meadowlark Hills Apt	43.88	0.22%	195,027	0.17%
12 Shasta Beverages	43.20	0.22%	178,615	0.15%
13 Kansas City Country Club	42.77	0.22%	225,426	0.19%
14 Bayer Corp	41.18	0.21%	187,769	0.16%
15 Indian Hills Country Club	<u>40.33</u>	<u>0.20%</u>	<u>213,967</u>	<u>0.19%</u>
Total	884.00	4.47%	\$4,370,527	3.78%

(1) Based upon total retail sales in 2018 of 19,789 million gallons and \$115.63 million of total retail water sales revenues

Source: The Water District

Wholesale Customers

The Water District has had discussions with nearby municipalities and water utilities for potential wholesale supply of water but cannot predict when or if such wholesale supply agreements would be executed. The Water District currently has no wholesale customers. However, the Water District does operate under reciprocal agreements with five neighboring utilities which are in place for the purpose of emergencies or to help supply water during scheduled maintenance.

Rate Setting

Water Rates. The Water District Board annually approves a balanced budget where total budgeted revenues provided equals total budgeted expenditures including designated funding of reserves. Water rates are based on a cost of service recovery method for volume and service charges. The Water District uses a 20-year financial simulation model for current year budgeting and rate setting. Projections include revenues, operating expenditures, total capital improvement project (CIP) costs, debt service requirements, rate increases, bond sizing, and debt service coverage. Together these are used to project long-term sustainability of core services within projected revenue sources, to project operating revenues and capital reserves available for direct funding of capital projects, and to project debt financing for capital projects within targeted debt coverage ratios.

The Water District has the exclusive statutory authority to set rates and charges for water service and is, by law, free from the jurisdiction of the Kansas Corporation Commission and any other federal, state, or local agency having the authority to regulate rates and charges for water services. The most recent overall water rate increase of 1.9% became effective on January 1, 2019.

System Development Charges. System Development Charges (SDCs) are impact fees charged to new retail customers who connect onto the Water System. SDC revenues are not part of the annual operating budget. Funds generated are used for the building or replacement of major infrastructures (capacity and distribution) or for the retirement of debt. SDCs are cost of service based using the “buy-in method”. This calculation methodology uses the value of integrated transmission and major distribution systems in the SDC calculations and also considers all supply and treatment facilities, regardless of whether or not they add additional capacity to the system. Under this methodology, a new customer is required to “buy-in” to the existing system so that they are on an equity basis with all other customers having similar service requirements. SDCs are reviewed annually and the most recent increase adopted by the Board was 1.0% which will be effective on January 1, 2020.

Rate Studies. The Water District’s Finance staff annually reviews and sets water rates and SDCs using financial models provided by a rate consultant. Periodically a rate consultant is engaged to review the methodology and calculations. The last consultant review of the water rate model and the SDC model was completed in January 2018.

System Rates and Charges

Water Rates - Retail. Residential single-family customers are billed on a bi-monthly basis, with approximately one-half of such customers being billed during one month and the remaining half being billed the next month. Residential multi-family, commercial, and wholesale customers are billed on a monthly basis.

The Retail rate schedule, effective January 1, 2019 is shown in the following table:

MONTHLY RETAIL WATER RATES					
Effective January 1, 2019					
Peak Management Rate Structure					
<u>Monthly Service Charge (a)</u>					
Base Charge for Meter Size (inches)					
Retail Class:	R-1 Single Family	M-1 Multi Family	C-1 Small Commercial	C-2 Large Commercial	C-3 Commercial Temporary or Occasional Use
5/8"	\$11.45	\$14.20	\$14.20	--	--
3/4"	15.00	17.80	17.80	--	--
1"	22.35	25.10	25.10	--	--
1 1/2"	41.45	44.20	--	\$44.20	--
2"	62.10	64.90	--	64.90	--
3"	150.00	152.80	--	152.80	--
4"	235.75	238.50	--	238.50	--
6"	--	505.10	--	505.10	--
All Sizes	--	--	--	--	\$90.40
<u>Consumption Charge Per 1,000 Gallons</u>					
Applies to Usage Which is:					
Block 1	0% to 125% of AWC (b)			\$4.18	
Block 2	Over 125% of AWC (b)			\$5.56	
<p>(a) Service Charges do not include any allowance for water consumption.</p> <p>(b) AWC = Average Winter Consumption, stated on a "gallons-per-day" basis. The AWC is updated each year effective with the May Billings, based on the immediate preceding January - April billings. For calculation of water bills, each customer is given the benefit of whichever AWC is higher:</p> <ol style="list-style-type: none"> 1) The individual customer's own actual AWC; or 2) The "Default" AWC as defined below: <p>For <i>single-family</i> customers the Default AWC is based on the 5-year average of AWCs of all single-family customers, regardless of meter size.</p> <p>For all <i>non single-family</i> customers, the Default AWC is based on the 5-year average of AWCs of customers with the same meter size and customer class.</p>					

Source: The Water District

System Development Charges - Retail. The Water District collects System Development Charges (SDCs) for each new service connection. The schedule of charges, based upon meter connection size, was implemented to collect a proportionate share of the additional investment required for the development or replacement of water supply, treatment, and certain transmission facilities. Service connection enlargements also are subject to the charge.

RETAIL SYSTEM DEVELOPMENT CHARGE SCHEDULE

Meter Size/Type	Effective January 1, 2019	Effective January 1, 2020
5/8" Displacement	\$4,950	\$5,000
3/4" Displacement	7,425	7,500
1" Displacement	12,375	12,500
1 1/2" Displacement	24,750	25,000
1 1/2" Turbine	29,700	30,000
2" Displacement	39,600	40,000
2" Compound	39,600	40,000
2" Turbine	47,025	47,500
3" Compound	86,625	87,500
3" Turbine	107,665	108,750
4" Compound	148,500	150,000
4" Turbine	185,625	187,500

Source: The Water District

Water Rates - Wholesale. Currently the Water District has no wholesale water sales agreements in place. However, the Water District’s rules and regulations allow the Board to enter into wholesale water sales agreements to provide water outside the Water District’s boundaries. The rules and regulations specify wholesale agreements will include a monthly service charge and wholesale water rate.

Wholesale rates are based on the methodology used for the Water District’s retail water rates, but exclude certain costs from which wholesale customers do not benefit such as distribution system costs. Other rates, fees and charges may be stipulated in the agreement.

Wholesale User Fees. The Water District requires that wholesale customers pay a wholesale user fee for access to a specified quantity of Maximum Day and Maximum Hour capacity for the term of the wholesale agreement. Each individual wholesale customer’s SDC is based on the capacity requirements stipulated in the wholesale contract. Access to additional capacity during the contract term requires an incremental wholesale user fee payment.

THE WATER DISTRICT

Organization

The Water District is a quasi-municipal body corporate created pursuant to state law in 1953 by resolution of the Board of County Commissioners of Johnson County. Organization of the Water District was preceded by the filing of a petition for organization by the qualified electors of the proposed Water District and a subsequent hearing thereon. The Water District began operations in 1957 following the purchase of a private water system owned by the former Kansas City Suburban Water Company. The purchase price of approximately \$15,250,000 was approved at a special election on September 7, 1957, and was financed by the Water District through the issuance of revenue bonds.

Description

The Water District encompasses approximately 272 square miles located primarily in Johnson County and small adjacent areas in Wyandotte and Miami Counties, all generally located in the southwestern portion of the Kansas City metropolitan area. Included within the Water District's boundaries are all or portions of 17 municipalities, as well as certain unincorporated areas. The December 2018 population of the Water District's service area was estimated to be 443,000.

Water District Powers

The rights, powers, privileges, authorities, functions, and duties of the Water District are established by the laws of the State of Kansas, particularly the Water Supply and Distribution Districts Act (K.S.A. 19-3501 *et seq.*), which provides that the Water District has the power: to enter into contracts; to sue and be sued; to establish, construct, purchase, operate, and maintain a water supply and distribution system; to fix water rates; and to issue revenue bonds to pay for the establishment, construction, purchase, and operation of a water supply and distribution system or systems. The Water District also may exercise the power of eminent domain in accordance with statute. Further, subject to compliance with statutory procedures, the Water District may annex adjoining territory, thereby modifying the boundaries of the Water District.

Governing Board

The Water District is governed by a seven-member Board, which has the responsibility to establish, manage, purchase, construct, operate, maintain, and have the exclusive control of the water supply and distribution facilities of the Water District. The Board establishes and makes publicly available rules and regulations necessary for the safe, economical, efficient establishment, operation, maintenance, and management of such water supply and distribution system. The Board may improve, extend, or enlarge the water supply and distribution system and may sell surplus water outside the Water District. The members of the Board must be qualified electors of the Water District and are elected at large to staggered four-year terms of office at successive biennial elections. Vacancies on the Board are filled for the unexpired term by appointment by the remaining members. The members hold regular monthly meetings and, as needed, special meetings.

Elections for Board Members are to be held November 5, 2019. Four at-large Board positions are up for election and three of the four incumbents are seeking reelection. All positions are contested. Elected Board Members take office in January 2020.

The present Board members, their positions on the Board, occupations and affiliations, lengths of service to the Water District, and terms of office are as follows:

Board Chair – Robert P. Reese has been a Johnson County resident for 58 years. Mr. Reese has a degree in Business Accounting and Business Administration from the University of Kansas and is a Certified Public Accountant (CPA) and a Certified Information Systems Security Professional (CISSP). He currently is an Enterprise Security Analyst for Burns & McDonnell Engineering, Inc. His experience includes designing, deploying and consulting on geospatial information systems, information and network security, information systems planning, and computer and financial auditing. He's held positions with GE Insurance Solutions and Sprint and as principal and owner of his own consulting firm, 22 Consulting. Mr. Reese is a member of Information Systems Security Association (ISSA), High Technology Crime Investigation Association (HTCIA), and the FBI's InfraGard program. Mr. Reese has served twice before as Chair of the Water District Board.

Current Term: 2017-2021
 Previous Service: 2013-2017, 2009-2013, 2005-2009, 2001-2005, 1997-2001, 1993-1997
 Committees: Retirement (Chair)

Board Vice Chair – Mark Parkins has been a resident of Johnson County for 35 years. He was appointed in February 2016 to fill a vacant position. Mr. Parkins holds a Bachelor of Science degree in Engineering from Purdue University. He is currently a territory manager with the American Cast Iron Pipe Company. Mr. Parkins has been involved with the Boy Scouts of America, the American Water Works Association, and is past president of his homeowners association.

Current Board Term: February 2016-2019 (seeking reelection)
 Previous Board Service: --
 Board Committees: Government & Community Relations, Finance

Board Member – Brenda Cherpitel has been a Johnson County resident for 40 years. She graduated with a Bachelor of Science degree from the University of Missouri-Columbia and has spent her career in marketing and business development working for more than 20 years at Hallmark, Inc. and in senior management for two smaller companies. Ms. Cherpitel shifted to the non-profit sector in 2007 and served for 11 years as Director, Development for the American Academy of Family Physicians Foundation where she led the fundraising, marketing, strategic planning, and new program development for her national organization. She worked with over 125,000 family physicians across the U.S. to support philanthropic work in the areas of humanitarian aid, education, and research. Ms. Cherpitel now serves as Development Director leading all fundraising and resource development efforts for the Bert Nash Community Mental Health Center which provides outpatient mental health services to more than 5,000 children, families and adults annually. She is a member of the American Water Works Association (AWWA) and was among the first individuals to complete her AWWA Public Officials Certification in June 2009. Ms. Cherpitel has previously served as Board Chair.

Current Board Term: 2017-2021
 Previous Board Service: 2013-2017, 2009-2013, 2007-2009
 Board Committees: Operations (Chair), Administrative

Board Member – Terrence D. Frederick has been a Johnson County resident for 46 years. Mr. Frederick graduated with Bachelor of Science degrees in Accounting and Business Administration from the University of Kansas. Mr. Frederick, a Certified Public Accountant, is a partner at Barnwell Consulting, LLC. He previously directed the State and Local Corporate Tax Department at Sprint Nextel Corporation for over 26 years and prior to that was employed at Kansas City Southern Industries and Arthur Andersen & Co. Mr. Frederick previously served as the Board Chairman of the Council on State Taxation and as a member of the Tax Executives Institute and the American Institute of Certified Public Accountants, among others. He previously served as a Councilman for the City of Prairie Village and as Board Chair of the Water District.

Current Board Term: 2015-2019 (seeking reelection)
 Previous Board Service: 2007-2011, 2003-2007, 2000-2003, 1991-1995
 Board Committees: Finance (Chair), Operations, Retirement

Board Member – Kay Heley has been a Johnson County resident for 45 years. Ms. Heley a Bachelor of Science degree in Nursing, a Master of Arts in Global and International Studies from the University of Kansas and a Bachelor of Arts from Yale University in Political Science with an emphasis in Biology. She has over 30 years of public health nursing experience. Ms. Heley retired in 2018 as a nurse in the Shawnee Mission School District. Previously, she worked at Bethany Medical Center, Truman Medical Center, and the Wyandotte County Health Department. Ms. Heley is an active volunteer in her church, the League of Women Voters, the Metro KC Climate Action Coalition and the Shawnee Mission National Education Association (SM-NEA).

Current Board Term: 2017-2021
 Previous Board Service: --
 Board Committees: Administrative, Government & Community Relations

Board Member – Robert S. Olson has been a resident of Johnson County for 29 years. He has served in the Kansas Senate since 2011 following three terms in the Kansas House of Representatives. In the legislature he served as the Majority Whip of the House. In the Senate, he currently serves as the Chair of the Financial Institutions and

Insurance Committee. He has served as chair of the Utilities Committee and Legislative Post Audit Committee, and Vice-Chair of the Federal and State Affairs Committee. Senator Olson is founder and owner operator of Rob's Painting, and developer of Rent Me LLC. He is a Board Member of the Bank of the Prairie, Chair of its Audit Committee, and Member of the Loan, Compensation, Asset Liability and Information Technology Committees. He also is Chair of Audit Committee of Prairie Star Banc Shares Holding Company. He has twice served as Board Chair of the Water District.

Current Board Term: 2015-2019 (seeking reelection)
 Previous Board Service: 2007-2011, 2003-2007, 1999-2003, 1995-1999
 Board Committees: Administrative (Chair), Finance, Retirement

Board Member – Dennis Wilson has been a resident of Johnson County for 50 years. Mr. Wilson started his career in auto sales in 1968. From there he developed and managed a number of local companies in which he maintains an active interest. Since 2010, he has been the Business Development Officer for Freedom Bank representing the bank's commercial services to business clients in the metropolitan area. Mr. Wilson's public service includes two terms in the Kansas House of Representatives from 1995 to 1999 before he became the Director of Unclaimed Properties in the State Treasurer's Office. He worked in that position for two years, then was elected Johnson County Treasurer from 2001 to 2005 and a State Senator for the 37th District from 2005 to 2009. Following his term, he served an appointment as Executive Director of the Kansas Lottery. He has been involved in many civic organizations and is a veteran of the United States Air Force.

Current Board Term: 2015-2019 (not seeking reelection)
 Previous Board Service: --
 Board Committees: Government and Community Relations (Chair), Operations

Administration

Although the Board is responsible for the overall management and administration of the affairs of the Water District, the Board essentially functions through its respective Administrative, Finance, Government & Community Relations, and Operations Committees.

The Water District's key management personnel consists of its General Manager, General Counsel and Director of Legal/Auditing, Treasurer and Director of Finance, Director of Production, Director of Distribution, Director of Customer Relations, Director of Human Resources/Administration, and Director of Information Technology.

General Manager – Michael J. Armstrong is responsible for the daily administration of the utility's operations, personnel, and financial affairs. He has served as General Manager since 2003. Prior to his role as General Manager, Mr. Armstrong served as General Counsel and Director of Legal/Auditing since 1998. He holds a degree in Political Science from Kansas State University and a law degree from the University of Kansas. He is also a graduate of the University of North Carolina Kenan-Flagler Business School's Water and Wastewater Leadership Center. As General Manager, he has been appointed by the Kansas Speaker of the House to the Kansas Water Authority, which is responsible for advising the Governor, Legislature and Director of the Kansas Water Office on water policy issues and for approving the *Kansas Water Plan*. He was also appointed by the Assistant Secretary of the Army and the U.S. Army Corps of Engineers to represent water supply stakeholders on the Missouri River Recovery Implementation Committee, which is a collaborative regional stakeholder committee developed to advise the Corps on operations and management of the Missouri River, one of the Water District's primary water sources.

General Counsel · Director of Legal/Auditing – Eric R. Arner is responsible for the legal, auditing, insurance, risk management, records and government relations functions. In addition, Mr. Arner serves as legal advisor to the Governing Board. He has been with the Water District since 2003. Prior to the Water District, Mr. Arner practiced for over 13 years in local government law, including as Senior Assistant City Attorney for the City of Lenexa, Kansas. He holds degrees in History and Economics from William Jewell College and obtained his law degree from the University of Missouri - Kansas City. He is licensed to practice law in Kansas and Missouri. He is a member of the American Water Works Association (AWWA), International Municipal Lawyers Association (IMLA), Federation of Defense & Corporate Counsel (FDCC) and the Johnson County Bar Association for which he previously served on its Board of Directors.

Treasurer · Director of Finance – Darin L. Kamradt has over 20 years of financial management experience at the Water District and was promoted to Director of Finance in 2017. As Director of Finance he is responsible for the

accounting, treasury, financial planning and analysis, and procurement and inventory control functions of the Water District. He holds a Bachelor of Science in Accounting from Rockhurst University and a Master of Science in Finance from Webster University. In his previous role as Manager of Financial Planning he was responsible for overseeing budgeting and long-term planning. Mr. Kamradt is also an Adjunct Professor of Finance at Webster University in Kansas City, MO where he teaches graduate level finance courses in the MBA program. He is a Certified Public Finance Officer, a Certified Treasury Professional, and a Certified Financial Planning & Analysis Professional. He is a member of the Governmental Finance Officers Association, the American Water Works Association (AWWA), and the Association of Financial Professionals. In the past, he has served as President of the Eastern Kansas Governmental Finance Officers Association. Mr. Kamradt is also a member of the Rates and Charges Committee of AWWA, and he co-authored the Fourth Edition of the M29 Manual – Fundamentals of Water Utility Capital Financing.

Director of Production – Michelle Wirth is responsible for all aspects of water production from the Water District’s source, treatment, pumping and storage facilities including plant operations, facilities engineering, water quality lab, emergency management, data analytics, and facilities maintenance. She joined the Water District in 2015 as Assistant Director and was promoted to Director in 2018. Ms. Wirth has 20 years of experience dedicated to utility engineering and management. She previously served in local government as the Environmental Services Manager with the City of Olathe, Kansas and with an engineering consulting firm. She has a Master of Science in Engineering Management from the University of Kansas, and a Bachelor of Science in Civil Engineering from North Dakota State University. Ms. Wirth is a registered Professional Engineer in the states of Kansas and Missouri and holds a Class IV Water Operator License in the State of Kansas. She serves on several statewide and regional industry associations, boards, and committees dedicated to planning, policies, and management of water resources. Currently, she is serving on the Kansas Section American Water Works Association Board of Trustees. She represents Public Water Supply stakeholders on the Missouri Regional Advisory Committee (RAC), established by the Kansas Water Authority for long-range statewide water planning. Ms. Wirth is also the Water District’s representative on the Board of Directors of the Kansas River Water Assurance District and Treasurer for the Missouri River Public Water Supply Association.

Director of Distribution – Daniel J. Smith is responsible for the overall operation of the distribution system, which encompasses engineering, planning, design and infrastructure renewal, construction and maintenance, cross connection control, mapping and drafting, and the sale of all service connections and meters. He joined the Water District in 1994. Mr. Smith is a registered Professional Engineer in Kansas, earning a degree in Civil Engineering from the University of Nebraska (Lincoln) followed by master’s level course work in civil engineering at the University of Kansas (KU) and the University of Missouri as well as MBA course work at KU. He also holds a Class IV Water Distribution Operator license in the State of Kansas. He’s authored and co-authored papers presented at the state and national American Water Works Association (AWWA), the Association of Metropolitan Water Agencies (AMWA) Executive Management Conference, the American Society of Civil Engineers (ASCE) Pipelines Conference and the Underground Construction Technology Conference. Mr. Smith is a member of the Water Research Foundation (WRF) 2019 Tailored Collaboration Expert Review Committee, a member of an AWWA technical committee for the relining and rehabilitation of water mains, and has served as a Project Advisory Committee member on several WRF projects.

Director of Customer Relations – Mandy Cawby is responsible for customer service, billing and collections, meter reading and field services, metering infrastructure, corporate communications, public outreach, community and media relations. Ms. Cawby joined the Water District in 2012 as Communications Manager; she was appointed Director of Customer Relations in 2015. She earned her Bachelor of Science in Public Relations from Illinois State University and her Master of Public Administration from the University of Kansas. Prior to the Water District, Ms. Cawby served in city management and state government, including as Assistant City Manager in Derby, Kansas, Director of Finance for the City of Atchison, Kansas, and as Special Assistant to the Secretary for the Kansas Department of Health & Environment. She is a graduate of the Kenan-Flagler Business School Water/Wastewater Leadership Program and holds a Customer Service Certification from the American Water Works Association (AWWA). Ms. Cawby is an appointed member of the AWWA Public Affairs Council, the Association of Metropolitan Water Agencies (AMWA) Utility Management Committee, and is currently serving on the Project Advisory Council for the Water Research Foundation’s study on Utility Response to Cyanobacteria/Cyanotoxin Events. She is an active volunteer, supporting various organizations and community projects in the Water District’s service area.

Director of Human Resources & Administration – Janet Barrow is responsible for recruitment, payroll and benefits, training and development, safety and security, fleet services, wellness offerings, personnel policies, and employee relations. Ms. Barrow joined the Water District in 2016 as Director of Human Resources & Administration. Ms.

Barrow holds a Doctor of Education in Leadership Education from Spalding University, a Master of Public Administration from the University of Louisville, and a Bachelor of Science in Business Administration from Spalding University. Previously, she served with the Louisville Regional Airport Authority as its Director of Human Resources from 2002 to 2016. Her experience also includes tenure with Sears Holdings as a Regional Human Resources Manager. She is certified as a Senior Professional in Human Resources (SPHR) and an SHRM Senior Certified Professional (SHRM-SCP). Ms. Barrow is an adjunct professor at Ottawa University teaching business and human resources courses. She currently serves on Johnson County’s Society for Human Resources board of directors, and is a member of American Water Works Association’s (AWWA) Workforce Strategies Committee.

Director of Information Technology – Jorge O’Neill is responsible for ensuring consistent and reliable technological support of business processes, priorities and initiatives involving a wide variety of technologies and applications. Mr. O’Neill joined the Water District in 2015 as Director of Information Technology. He received a degree in Computer Science from Pennsylvania State University. His past work includes experience as the Head of Information Systems for Boehringer-Ingelheim Vetmedia, Inc., Director of IT Operations for Animal Health at Pfizer, Inc., and IT Regional Director at 3M, Inc. for its Caribbean Region based in San Juan, Puerto Rico. Mr. O’Neill specializes in IT governance, global planning, capacity/cost projections, and maximizing the potential of IT resources. He is also certified in Six Sigma process improvement methods.

Employees and Benefits

The Water District employs 390 full time permanent personnel and 26 part time and seasonal employees. Among the benefits provided to Water District employees are: (1) the choice of a single or family health insurance plan, (2) life insurance, (3) dental insurance, (4) long-term disability insurance, (5) short term disability insurance and (6) an option to participate in a Section 125(d) medical savings account and/or a dependent care savings account. The Water District also sponsors several optional employee-paid insurance coverage benefits.

In May 2013, the Board accepted the recommendation of an actuarial consultant to maintain the existing retirement program for Water District employees hired prior to January 1, 2014. For employees hired January 1, 2014 and after, the Water District has implemented a new retirement program consisting of a Cash Balance Plan and a revised Defined Contribution Plan.

Deferred Compensation

The Water District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The 457 plan, available to all full-time and part-time Water District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination of employment, retirement, attainment of the age of 70 1/2 while still employed at the Water District, termination of the plan, total or permanent disability, death or unforeseeable emergency.

Defined Contribution

The Water District offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The defined contribution plan has four parts, consisting of the following:

Employees hired before January 1, 2014

- (a) All full-time and part-time employees hired before January 1, 2014 are offered a plan which provides for a Water District contribution matching 50 percent of an employee’s contribution to the 457 plan, up to 4 percent of the employee’s eligible annual compensation.
- (b) Full-time employees hired before January 1, 2014 with at least six months of service are offered a plan which provides for a discretionary contribution of no more than 2.5 percent of the employee’s eligible compensation.

Employees hired after December 31, 2013

- (a) All full-time and part-time employees hired after December 31, 2013 are offered a plan which provides for a Water District contribution matching 100 percent of an employee’s contribution to the 457 plan, up to the

first 2 percent of the employee's eligible annual compensation and a match of 50 percent on the next 5 percent of covered pay.

- (b) Full-time employees hired after December 31, 2013 with at least six months of service are offered a plan which provides for a discretionary contribution of no more than 4 percent of the employee's eligible compensation.

Assets of all portions of the 401(a) plan are not available to employees until termination of employment, retirement, attainment of the age of 70 1/2 while still employed at the Water District, termination of the plan, total or permanent disability, death or unforeseeable emergency. New employees are subject to a five year vesting schedule consisting of 20 percent vested at the end of each year. After five years of service, all subsequent employer contributions are 100 percent vested. The Water District deposited assets for the matching portions of the 401(a) plan in the amount of \$538,221 and \$453,693 during 2018 and 2017 respectively. In addition, deposits were made for the annual contribution portion of the 401(a) plan in the amounts of \$727,980 and \$642,425 for 2018 and 2017 respectively. The defined contribution plan assets are held in trust for the exclusive benefit of employees and their beneficiaries.

Defined Benefit Plan

The Water District's Defined Benefit (DB) Plan, originally adopted in 1957, with subsequent revisions, is primarily financed from Water District contributions. The Final Pay Plan portion of the DB Plan is available only to employees that were hired prior to January 1, 2014. The Cash Balance Plan portion (as described below) is available to employees hired after December 31, 2013.

As of January 1, 2019 (date of the last available plan valuation), the plan's actuarial present value of assets was \$46,272,164 and the actuarial accrued liability was \$59,208,923, resulting in an unfunded liability of \$12,936,759. The funded ratio as of January 1, 2019 was 78.2%. The unfunded liability is primarily the result of assumption changes that were made in 2015 and negative market performance. The loss from assumption changes is amortized over 25 years and the negative market performance is amortized over 10 years for purposes of calculating the annual funding amount. The market value of the DB plan's assets were \$42,317,141 and \$44,264,149 on January 1 of 2019 and 2018 respectively.

See Appendix B, "Audited Financial Statements of the Water District" for the following additional information on the Water District's DB plan:

- a) Note 7 – Plan description and actuarial methods and assumptions.
- b) Schedule of Required Supplemental Information – Five year history of the actuarial value of assets, actuarial accrued liability, the unfunded liability and the funded ratio.

The Water District's governing board has adopted a *Fiscal Policies and Procedures* document that states that annual pension costs are fully funded as determined by the annual actuarial studies. In 2019, the Water District contributed an additional \$7,900,000 to the Defined Benefit Plan trust. If the additional contribution were applied to the valuation as of January 1, 2019, the unfunded liability would be reduced to \$5,036,759 and the funded ratio would increase to 91.5%.

Cash Balance Plan

In 2013, the Water District established a Cash Balance Plan for all eligible employees hired after December 31, 2013. This plan provides a defined-benefit, cash-balance retirement plan for the benefit of eligible employees. The Cash Balance Plan qualifies under Sections 401(a) and 414(d) of the Internal Revenue Code of 1986, as amended, and the trust holding the plan's assets is exempt from tax under Section 501(a) of the Internal Revenue Code.

The Cash Balance Plan consists of the following:

- A mandatory employee contribution of 3 percent of employee's compensation.
- Employer pay credits which increase with years of service starting at 3 percent and ending at 6 percent of each employee's compensation.
- An annual interest credit of 5.25 percent on pay credits and employee contributions.
- Five years of service are required before an employee is vested. Employees are always vested in their employee contributions and applicable interest credits.

Other Post-Employment Benefits (OPEB)

- a) *Pre January 1, 2008 hires* - The Water District currently provides subsidized postretirement health care benefits to all employees hired before January 1, 2008 who retire under the provisions of the Water District No. 1 of Johnson County, Kansas, Revised Retirement Plan. The Water District pays one-half of the health insurance coverage for retirees and their spouses if the retiree is age fifty-five to sixty-five. After the retiree or spouse reaches age sixty-five, the Water District then pays one-half of the cost of a Medicare supplement plan. These payments are currently funded on a pay-as-you-go basis. The Water District also provides retired personnel with life insurance coverage at 25% of final salary.
- b) *Post January 1, 2008 hires* - The Statutes of Kansas (K.S.A. 12-5040) require that any local governments (the definition of which includes the Water District) shall make coverage under their employee group health care benefits program available to retirees and their dependents until the retiree turns 65. This coverage is only available to retirees who were employed by the Water District at least ten years. Each retiree hired after January 1, 2008 who elects to remain covered by the employee group health benefits program may be required to contribute up to 125% of the premium paid by active employees. Currently the Water District has no retirees who were hired after January 1, 2008 that have retired from the Water District with ten years of service.

The Water District annually funds the OPEB cost to the extent of the current year's insurance premium for retirees. The Actuarial Valuation as of January 1, 2019, reports the plan's unfunded liability as \$15,550,000.

Consultants

The Water District retains a variety of professional firms and individuals for the provision of specialized services. Among these are Black & Veatch Corporation, of Kansas City, Missouri, who serve as Consulting Engineers to the Water District; and Piper Jaffray & Co., of Leawood, Kansas who is retained as the Water District's Financial Advisor. The Water District also has retained the legal services of Gilmore & Bell, P.C., Kansas City, Missouri, as Bond Counsel in connection with the issuance of the 2019 Bonds.

Legal Matters Affecting the Water District

The Water District has various lawsuits and claims pending which arose through the normal course of operations. Management believes that the ultimate liabilities, if any, of these lawsuits would not be material to the financial position of the Water District.

Water District Insurance Coverage

The Water District has covenanted in the 2019 Bond Resolution to carry and maintain certain property insurance coverage on all Water System assets. The Water District maintains public liability insurance in amounts comparable to those held by similar municipalities in the State of Kansas and in accordance with Kansas Tort Statutes.

In the event of loss or damage to the Water System assets, the Water District is obligated to use proceeds derived from such insurance coverage for reconstruction or replacement purposes or deposit such insurance proceeds to the Water System General Fund.

Financial Statements

The Water District is required to publish within 90 days after the end of each calendar year a summary of its audited financial statements (K.S.A. 19-3521). The Water District's year-end financial statements are required to be certified by a certified public accountant or a licensed municipal public accountant. A copy of the audit must be filed with the clerks of the counties within the Water District's service area and such audit is open to public inspection. The financial statements as of December 31, 2018 and December 31, 2017 are included in this Official Statement as Appendix B, and have been audited by RubinBrown LLP.

LITIGATION

There is no controversy, suit or other proceeding of any kind pending or threatened wherein any question is raised or may be raised, questioning, disputing, or affecting in any way the legal organization of the Water District, the right or title of any of its officers to their respective offices, or any of its official acts shown to have been done in the proceedings authorizing the issuance of the 2019 Bonds, or the constitutionality or validity of the obligations represented by the 2019 Bonds, or the validity of the 2019 Bonds, or any of the proceedings had in relation to the authorization, issuance, or sale of the 2019 Bonds, or the power and authority of the Water District to fix, charge and collect rates for the sale of water as required by the 2019 Bond Resolution. There is no controversy, suit or proceeding of any kind pending or threatened which would affect or otherwise challenge or question the Water District's boundaries or its territorial jurisdiction as to the exclusive provider of treated water for use within its boundaries.

TAX MATTERS

The following is a summary of the material federal and State of Kansas income tax consequences of holding and disposing of the 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 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 2019 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the 2019 Bonds.

Opinion of Bond Counsel

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

Federal Tax Exemption. The interest on the 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 2019 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The 2019 Bonds have **not** been designated as "qualified tax-exempt obligations" for purposes of Code § 265(b).

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

Bond Counsel's opinions are provided as of the date of the original issue of the 2019 Bonds, subject to the condition that the Water District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2019 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Water District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2019 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the 2019 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the 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 2019 Bond over its issue price. The issue price of a 2019 Bond is generally the first price at which a substantial amount of the 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 2019 Bond during any accrual period generally equals (1) the issue price of that 2019 Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that 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 2019 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 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 2019 Bond over its stated redemption price at maturity. The issue price of a 2019 Bond is generally the first price at which a substantial amount of the 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 2019 Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the 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 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 2019 Bond, an owner of the 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 2019 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the 2019 Bond. To the extent the 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 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 2019 Bonds, and to the proceeds paid on the sale of 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 2019 Bonds should be aware that ownership of the 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 2019 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of 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 2019 Bonds, including the possible application of state, local, foreign and other tax laws.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the 2019 Bonds are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, bond counsel to the Water District ("Bond Counsel"). The factual and financial information appearing herein has been supplied or reviewed by certain officials of the Water District and its certified public accountants, as referred to herein. Bond Counsel has participated in the preparation of the Official Statement but expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Official Statement captioned "THE 2019 BONDS," "SECURITY AND SOURCE OF PAYMENT," "LEGAL MATTERS," "TAX MATTERS," "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE 2019 BOND RESOLUTION," "APPENDIX D – FORM OF BOND COUNSEL OPINION," and "APPENDIX E – FORM OF CONTINUING DISCLOSURE UNDERTAKING." Payment of the legal fee of Bond Counsel is contingent upon the delivery of the 2019 Bonds. Certain legal matters have been passed on for the Water District by Eric R. Arner, General Counsel to the Water District.

RATING

The 2019 Bonds have received a rating of “AAA” from S&P Global Ratings, a division of S&P Global Inc. The rating reflects only the view of the rating agency, and an explanation of the significance of such rating may be obtained therefrom. No such rating constitutes a recommendation to buy, sell, or hold any bonds, including the 2019 Bonds, or as to the market price or suitability thereof for a particular investor. The Water District furnished such rating agency with certain information and materials relating to the 2019 Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the 2019 Bonds.

CONTINUING DISCLOSURE

The Securities and Exchange Commission (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “Rule”), requiring continuous secondary market disclosure. The Water District will adopt a Continuing Disclosure Undertaking, the form of which is attached hereto as Appendix E (the “Disclosure Undertaking”) wherein the Water District covenants to annually provide certain financial information and operating data (collectively the “Annual Report”) and other information necessary to comply with the Rule, and to transmit the same to the Municipal Securities Rulemaking Board (the “MSRB”). Pursuant to the Disclosure Undertaking, the Water District has agreed to file its Annual Report with the national repository (“EMMA”) within 180 days after the end of the Water District's Fiscal Year, commencing with the Fiscal Year ended in December 31, 2019.

A failure by the Water District to comply with the Disclosure Undertaking will not constitute a default on the 2019 Bonds (although Bondholders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2019 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2019 Bonds and their market price.

To the best of its knowledge the Water District has not, within the last five years, failed to comply in any material respect with its past undertakings under the Rule.

FINANCIAL ADVISOR

Piper Jaffray & Co., Leawood, Kansas serves as Financial Advisor to the Water District with respect to this issue, and in such capacity has assisted the Water District in structuring the issue and making the public sale of the 2019 Bonds.

UNDERWRITING

The 2019 Bonds are being purchased from the Water District by _____ (the “Underwriter”), pursuant to a public sale by the Water District. The purchase price of the 2019 Bonds is \$ _____ plus accrued interest, if any, to the date of delivery (\$ _____ principal amount plus a net reoffering premium/discount of \$ _____ less underwriting discount of \$ _____).

The Water District is paying expenses associated with the issuance of the 2019 Bonds from proceeds of the issues. The Underwriter has certified that they initially offered the 2019 Bonds to the public at the prices or yields set forth on the inside cover page of this Official Statement, plus accrued interest, if any, from the date of the 2019 Bonds. Such prices or yields, as the case may be, may subsequently change without any requirement of prior notice. The Underwriter may join with dealers and other investment banking firms in offering the 2019 Bonds to the public.

ADDITIONAL INFORMATION

All of the summaries of the statutes, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports and documents described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at:

Water District No. 1 of Johnson County
10747 Renner Blvd
Lenexa, Kansas 66219
Telephone: (913) 895-5500
dkamradt@waterone.org
Attn: Darin L. Kamradt, Finance Director

Further information may be obtained from the Financial Advisor:

Piper Jaffray & Co.
11635 Rosewood Street
Leawood, KS 66211
Telephone: (913) 345-3370
william.p.henderson@pjc.com
Attn: Bill Henderson

OFFICIAL STATEMENT CERTIFICATION

The preparation of this Official Statement and its distribution has been authorized by the governing body of the Water District as of the date on the cover page hereof. This Official Statement is submitted in connection with the issuance of the 2019 Bonds and may not be reproduced or used as a whole or in part for any other purpose. This Official Statement does not constitute a contract between the Water District or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the 2019 Bonds.

**WATER DISTRICT NO. 1
OF JOHNSON COUNTY, KANSAS**

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APPENDIX A

SUMMARY OF THE BOND RESOLUTION

The following is a summary of certain provisions and covenants contained in the 2019 Bond Resolution. In certain situations, the summary also summarizes the provisions of the Parity Bond Resolutions. Such summary does not purport to be complete and is qualified in its entirety by reference to the foregoing documents.

Definitions of Words and Terms. In addition to the other terms defined in this Official Statement, the following terms shall have the meanings hereinafter specified:

“Accreted Value” means, with respect to each Capital Appreciation Bond, (i) the initial principal amount of such Capital Appreciation Bond plus, on the date of calculation, the interest accrued thereon to such date compounded at the interest rate thereof on each compounding date contained in such Capital Appreciation Bond, and (ii) with respect to any calculation on a date other than a compounding date, the amount determined pursuant to clause (i) above as of the immediately preceding compounding date plus interest on such amount from such compounding date to the date of calculation at a rate equal to the interest rate on such Capital Appreciation Bond.

“Act” means K.S.A. 10-116a, K.S.A. 19-3501 to 19-3521b, all as amended and supplemented from time to time.

“Additional Bonds” means any bonds secured by the Revenues or the Pledged Revenues hereafter issued pursuant to the 2019 Bond Resolution.

“Additional Interest” means, for any period during which any Pledged Bonds are owned by a Credit Facility Provider pursuant to a Credit Facility or Credit Facility Agreement, the amount of interest accrued on such Pledged Bonds at the Pledged Bond Rate less the amount of interest which would have accrued during such period on an equal Principal amount of Bonds at the Bond Rate.

“Additional Obligations” means any leases or other obligations of the Water District payable from the Revenues or the Pledged Revenues, other than the Bonds.

“Annual Debt Service” means the amounts required to be deposited in the Principal and Interest Fund for the Parity Bonds for the current Fiscal Year.

(i) For the purpose of calculating Annual Debt Service on any Option Bonds that are Outstanding or proposed to be issued, the Option Bonds shall be assumed to mature on their stated date of maturity.

(ii) For the purpose of calculating Annual Debt Service on any Bonds that are Outstanding or proposed to be issued that bear interest at a Variable Rate, the interest coming due in any specified future period shall be determined as if the Variable Rate in effect at all times during such future period equaled the average of the SIFMA Municipal Bond Index for the prior 5 calendar years, or any comparable index as certified to the Water District by a Financial Advisor. If making a historical calculation with respect to Variable Rate Bonds, actual interest rates may be used.

(iii) For the purpose of calculating the Annual Debt Service on any Auction Rate Bonds that are Outstanding or proposed to be issued, the interest coming due in any specified future period shall be determined by the resolution of the Water District authorizing such Auction Rate Bonds.

(iv) For the purpose of calculating the Annual Debt Service on any Capital Appreciation Bonds that are Outstanding or proposed to be issued, the total Principal and interest coming due shall be determined, with respect to such Capital Appreciation Bonds, by the resolution of the Water District authorizing such Capital Appreciation Bonds.

(v) With respect to any Bonds secured by a Credit Facility, Annual Debt Service shall also include (A) any upfront or periodic commission or commitment fee obligations with respect to such Credit Facility, (B) the outstanding amount of any Reimbursement Obligation owed to the applicable Credit Facility Provider and interest thereon, (C) any Additional Interest owed on Pledged Bonds to a Credit Facility Provider, and (D) any remarketing agent or surveillance fees.

(vi) With respect to any Hedged Bonds, the interest on such Hedged Bonds during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (A) the amount of interest payable by the Water District on such Hedged Bonds pursuant to their terms and (B) the amount of Hedge Payments payable by the Water District under the related Hedge Agreement and subtracting (V) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the Water District on the related Hedged Bonds shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts payable or receivable for any future period which are not fixed throughout the Hedge Period (*i.e.*, which are variable), such Hedge Payments or Hedge Receipts for any period of calculation (the "Determination Period") shall be computed by assuming that the variables comprising the calculation (*e.g.*, indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period).

(vii) For the purpose of calculating the Annual Debt Service on Balloon Bonds (A) which are subject to a Commitment or (B) which do not have a Balloon Date within 12 months from the date of calculation, such Balloon Bonds shall be assumed to be amortized in substantially equal annual amounts to be paid for Principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Advisor to be the interest rate at which the Water District could reasonably expect to borrow the same amount by issuing Bonds with the same priority of lien as such Balloon Bonds and with a 20-year term); provided, however, that if the maturity of such Balloon Bonds (taking into account the term of any Commitment) is in excess of 20 years from the date of issuance, then such Balloon Bonds shall be assumed to be amortized in substantially equal annual amounts to be paid for Principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Bonds to maturity (including the Commitment) and at the interest rate applicable to such Balloon Bonds. For the purpose of calculating the Annual Debt Service on Balloon Bonds (A) which are not subject to a Commitment and (B) which have a Balloon Date within 12 months from the date of calculation, the Principal payable on such Balloon Bonds on the Balloon Date shall be calculated as if paid on the Balloon Date.

(viii) The Principal of and interest on Bonds and Hedge Payments shall be excluded from the determination of Annual Debt Service to the extent that (A) the same were or are expected to be paid with amounts on deposit with the Water District or the Paying Agent on the date of calculation (or Bond proceeds to be deposited on the date of issuance of proposed Bonds) in the construction fund for such Bonds, the Principal and Interest Fund or a similar fund for such Bonds or (B) cash or non-callable Government Securities are on deposit in an irrevocable escrow or trust account in accordance with the defeasance provisions of the 2019 Bond Resolution (or a similar escrow or trust

account for such Bonds) and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay Principal or interest and are sufficient to pay such Principal or interest.

(ix) Notwithstanding anything to the contrary stated above, other than with respect to Capital Appreciation Bonds, if making an historical calculation, actual debt service may be used.

“Auction Rate Bonds” means any Bonds which bear interest at the auction rate determined pursuant to the auction bond provisions set forth in the resolution of the Water District authorizing such Auction Rate Bonds.

“Average Annual Debt Service” means the aggregate total Annual Debt Service for the remaining term of the Bonds divided by the number of years of debt service taking into account fractional years if any year is less than 12 months.

“Balloon Bonds” means any series of Parity Bonds 25% or more of the Principal of which (i) is due in any 12-month period or (ii) may, at the option of the Registered Owners, be required to be redeemed, prepaid, purchased directly or indirectly by the Water District, or otherwise paid in any 12-month period; provided that, in calculating the Principal of such Bonds due or required to be redeemed, prepaid, purchased, or otherwise paid in any 12-month period, such Principal shall be reduced to the extent that all or any portion of such amount is required to be redeemed or amortized prior to such 12-month period.

“Balloon Date” means any Principal maturity date or Put Date on which more than 25% of the Principal of related Balloon Bonds mature or are subject to mandatory redemption or could, at the option of the Registered Owners, be required to be redeemed, prepaid, purchased directly or indirectly by the Water District, or otherwise paid.

“Beneficial Owner” means any person who (a) has the power directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Book-Entry Bond (including persons holding Book-Entry Bonds through nominees, depositories or other intermediaries), or (b) is treated as owner of any Book-Entry Bond for federal income tax purposes.

“Bond Counsel” means a firm of attorneys of recognized standing in matters relating to the issuance of obligations by states and their political subdivisions, and acceptable to the Water District.

“Bond Payment Date” means any date on which principal of or interest on any Bond is payable.

“Bond Rate” means the rate of interest per annum payable on specified Bonds other than Pledged Bonds.

“Bond Registrar” means, with respect to the 2019 Bonds, the Treasurer of the State of Kansas, and any successors or assigns; and, with respect to any other series of Bonds, the Bond Registrar designated by the Water District in the resolution authorizing the issuance of such Bonds.

“Bond Reserve Fund” means the Bond Reserve Fund for the Parity Bonds ratified by the 2019 Bond Resolution which fund may include subaccounts.

“Bonds” means the Parity Bonds, the Subordinate Lien Bonds, and any Additional Bonds.

“Business Day” means a day other than 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 the Paying Agent is scheduled in the normal course of its operations to be open to the public for conduct of its operations.

“Capital Appreciation Bonds” means Bonds which bear interest which is calculated based on periodic compounding, payable only at maturity or earlier redemption.

“Chair” means the Chair of the Board of the Water District.

“Commitment” when used with respect to Balloon Bonds, means a binding written commitment from a financial institution, surety or insurance company to refinance such Bonds on or prior to any Balloon Date thereof, including without limitation any Credit Facility for such Bonds.

“Consultant” means a recognized firm of independent engineers, architects, accountants or other consultants knowledgeable and experienced in the work of the character required by the terms of the resolution of the Water District authorizing the issuance of the Bonds.

“Consulting Engineer” means an engineer or firm of engineers licensed in the State and having a reputation for knowledge, skill and experience in the construction and operation of water supply, treatment and distribution system properties.

“Credit Facility” means any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, or similar obligation, arrangement, or instrument issued by a bank, insurance company, or other financial institution or governmental or quasi-governmental entity or agency which is used by the Water District to perform one or more of the following tasks: (i) enhancing the Water District’s credit by assuring Registered Owners of any of the Bonds that Principal of and interest on such Bonds will be paid promptly when due; (ii) providing liquidity for the Registered Owners of Bonds through undertaking to cause Bonds to be bought from the Registered Owners thereof when submitted pursuant to an arrangement prescribed by a resolution authorizing the issuance of such series of Bonds; or (iii) remarketing any Bonds so submitted to the Credit Facility Provider (whether or not the same Credit Facility Provider is remarketing the Bonds). The term Credit Facility shall not include Equivalent Security.

“Credit Facility Agreement” means an agreement between the Water District and a Credit Facility Provider pursuant to which the Credit Facility Provider issues a Credit Facility. The term Credit Facility Agreement shall not include an agreement related to Equivalent Security.

“Credit Facility Provider” means any issuer of a Credit Facility then in effect for all or part of the Bonds. The term Credit Facility Provider shall not include any Equivalent Security Provider. Whenever in the resolution authorizing the issuance of Bonds the consent of the Credit Facility Provider is required, such consent shall only be required from the Credit Facility Provider whose Credit Facility is issued with respect to the series of Bonds for which the consent is required.

“Current Interest Bonds” means those Bonds which are not Capital Appreciation Bonds.

“Director of Finance” means the duly appointed or acting Director of Finance of the Water District.

“Equivalent Security” means direct obligations of or obligations which the principal of and interest on are unconditionally guaranteed by the United States of America or an irrevocable letter of credit, a committed line of credit, a demand note, a surety bond or a policy of insurance authorized by the laws of the State and issued by a bank, trust company, insurance association or financial institution (each a “Credit Provider”) which: (a) is authorized to do business in the State and to enter into such an agreement; and (b) has been assigned a credit rating in the highest one-third of all rating categories, without regard to any refinement or gradation of rating categories, by any Rating Agency at the time of issuance of the Equivalent Security; provided, however, if subsequent to the issuance of any letter of credit, committed line of credit, demand note, surety bond or policy of insurance, the property or affairs of the Credit Provider shall be taken under the control of any state or federal authority because of bankruptcy or insolvency, or for any other reason and the

rating of the Parity Bonds by all Rating Agencies is lower than the highest two rating categories, without regard to any refinement or gradation of rating categories, or if the Credit Provider is assigned a rating of less than the highest one-half of all rating categories, without regard to any refinement or gradation of rating categories, by a Rating Agency and the rating of the Parity Bonds by any Rating Agency is lower than the three highest rating categories, without regard to any refinement or gradation of rating categories, such letter of credit, committed line of credit, demand note, surety bond or policy of insurance shall not qualify as “Equivalent Security” as long as such conditions exist.

“Equivalent Security Provider” means any provider of Equivalent Security to fund all or any portion of a bond reserve account for the Parity Bonds.

“Escrow Agent” means UMB Bank, N.A., and its successors and assigns.

“Escrow Agreement” means the Escrow Trust Agreement, dated as of the Dated Date, between the Water District and the Escrow Agent.

“Escrow Fund” means the Escrow Fund for Outstanding 2010 Bonds referred to in the 2019 Bond Resolution.

“Escrowed Securities” means the direct, noncallable obligations of the United States of America, as described in the Escrow Agreement.

“Federal Tax Certificate” means the Water District’s Federal Tax Certificate dated as of the Issue Date, as the same may be amended or supplemented in accordance with the provisions thereof.

“Financial Advisor” means an investment banking, consulting or financial advisory firm or commercial bank who or which is appointed by the Water District for the purpose of advising the Water District on questions relating to the availability and terms of specified types of Bonds and is actively engaged in and, in the good faith opinion of the Water District, has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of securities.

“Fiscal Year” means the 12-month period selected by the Board of the Water District as its accounting period for annual reports, provided that either (a) immediately following the change in Fiscal Year, the Water District shall deem the term “Fiscal Year” for purposes of the 2019 Bond Resolution to mean both the 12-month period of the Fiscal Year in place before the change of Fiscal Year and a 12-month period beginning with the first day of the Fiscal Year after the change in Fiscal Year or (b) prior to a change in Fiscal Year, the Water District shall obtain the written acknowledgment by any Rating Agency which has assigned a rating to the Parity Bonds that the change in Fiscal Year will not, in and of itself, result in a downgrade of the current rating on the Parity Bonds. The current Fiscal Year period begins January 1st and ends on the following December 31st of each year.

“General Manager” means the duly appointed or acting General Manager of the Water District.

“Government Securities” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payment on obligations issued by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the Water District.

“Hedge Agreement” means, without limitation, (i) any contract provided by a Qualified Hedge Provider known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract provided by a Qualified Hedge Provider providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract provided by a Qualified Hedge Provider to exchange cash flows or payments or series of payments; (iv) any type of contract provided by a Qualified Hedge Provider called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement provided by a Qualified Hedge Provider that the Water District determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty related to any Bonds. Notwithstanding the foregoing, any Hedge Agreement must comply with the debt policy of the Water District.

“Hedge Contingency Payments” means amounts payable by the Water District out of the Water System General Fund pursuant to any Hedge Agreement as termination payments, fees, expenses and indemnity payments.

“Hedge Payments” means amounts payable by the Water District pursuant to any Hedge Agreement, other than Hedge Contingency Payments.

“Hedge Period” means the period during which a Hedge Agreement is in effect.

“Hedge Receipts” means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than termination payments, fees, expenses and indemnity payments.

“Hedged Bonds” means any Bonds for which the Water District shall have entered into a Hedge Agreement.

“Insufficient Reserve Determination Date” means the date in which the Water District determines that the Bond Reserve Fund for the Parity Bonds or any account therein does not contain the Required Reserve Amount.

“Letter of Representations” means the Letter of Representations from the Water District and the Paying Agent to DTC in the form acceptable to Bond Counsel.

“Long-Term Indebtedness” means System Indebtedness having an original stated maturity or term greater than five years, or renewable or extendable at the option of the debtor for a period of greater than one year from the date of original issuance or incurrence thereof.

“Maximum Annual Debt Service” means the maximum amount of Annual Debt Service requirements for the Parity Bonds, as computed for the then current or any future Fiscal Year.

“Option Bonds” means Bonds which by their terms may be tendered by and at the option of the Registered Owner thereof for purchase or payment by the Water District prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Registered Owner thereof.

“Outstanding” means, when used with reference to the Parity Bonds, as of any particular date of determination, all Parity Bonds previously executed and delivered under the Parity Bond Resolutions, as applicable, except:

(a) Parity Bonds previously cancelled by the Bond Registrar or delivered to the Bond Registrar for cancellation;

(b) Parity Bonds paid or deemed to be paid in accordance with the provisions of the applicable Parity Bond Resolution or the defeasance provisions of the 2019 Bond Resolution; and

(c) Bonds in exchange for or in lieu of which other Parity Bonds that have been executed and delivered pursuant to the Parity Bond Resolution.

“Parity Bond Resolutions” means, collectively, the 2012 Bond Resolution, the 2014 Bond Resolution, the 2017 Bond Resolution, the 2019 Bond Resolution, and any bond resolution of the Water District hereinafter adopted authorizing the issuance of Parity Bonds.

“Permitted Investments” means any investments to the extent the same are at the time permitted for investment of funds held by the Water District under the laws of the State.

“Pledged Bond” means any Bond purchased and held by a Credit Facility Provider pursuant to a Credit Facility Agreement. A Bond shall be deemed a Pledged Bond only for the actual period during which such Bond is owned by a Credit Facility Provider pursuant to a Credit Facility Agreement.

“Pledged Bond Rate” means the rate of interest payable on Pledged Bonds, as may be provided in a Credit Facility or Credit Facility Agreement.

“Principal” means (i) with respect to a Current Interest Bond, the principal amount of such Bond, and (ii) with respect to a Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond.

“Principal and Interest Fund” means the Principal and Interest Fund for the Parity Bonds ratified by the 2019 Bond Resolution which fund may include subaccounts.

“Put Date” means any date on which a Registered Owner may elect to have Balloon Bonds redeemed, prepaid, purchased directly or indirectly by the Water District, or otherwise paid.

“Qualified Hedge Provider” means an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, meet the requirements of the Water Districts debt policy and State law. An entity’s status as a Qualified Hedge Provider is determined only at the time the Water District enters into a Hedge Agreement with such entity and shall not be redetermined with respect to that Hedge Agreement.

“Rating Agency” means, when referring to the rating on Bonds, each nationally recognized statistical rating organization that is maintaining a current rating on any of the 2019 Bonds at the request of the Water District, and, when referring to the rating on a bank, trust company, insurance association or financial institution, a nationally recognized statistical rating organization that is maintaining a current rating on entity or such entity’s debt obligations.

“Record Date” means, with respect to the 2019 Bonds, the 15th day (whether or not a Business Day) of the calendar month next preceding an interest Payment Date and with respect to any other series of Bonds, the date set forth as the Record Date in the resolution of the Water District authorizing the issuance of such Bonds.

“Redemption Date” when used with respect to any Bond to be redeemed means the date fixed for the redemption of such Bond pursuant to the terms of this 2019 Bond Resolution.

“Registered Owner(s)” means Cede & Co. or that person or persons to be initially designated by DTC to be the nominal owner and holder of the 2019 Bonds as recorded upon the Bond Register for the purpose of performing duties and functions relating to book entry registration for the use and benefit of the Beneficial Owner as set out in the Letter of Representations, unless the Registered Owner and the Beneficial Owner are the same person.

“Reimbursement Obligation” means the obligation of the Water District to directly reimburse any Credit Facility Provider for amounts paid by such Credit Facility Provider under a Credit Facility, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

“Required Reserve Amount” means an amount for any series of Parity Bonds, which may be in cash or Equivalent Security, equal to the lesser of:

(i) 5% of the stated Principal amount of such series of Parity Bonds (determined as of the issue date of such series of Parity Bonds); provided, however, if the aggregate initial offering price of such series of Parity Bonds to the public is less than 98% or more than 102% of par, such offering price shall be used in lieu of the stated Principal amount,

(ii) if the reserve only secures a series of Parity Bonds, 125% of the Average Annual Debt Service for such series of Parity Bonds or, if the reserve is available to pay debt service on more than one series of Parity Bonds, 125% of the Average Annual Debt Service for all Parity Bonds secured by such reserve (determined as of the issue date of each such series of Parity Bonds), or

(iii) if the reserve only secures a series of Parity Bonds, the maximum amount of principal and interest becoming due in accordance with the stated maturity date or mandatory sinking fund redemption for the current year or any succeeding Fiscal Year with respect to such series of Parity Bonds, or, if the reserve is available to pay debt service on more than one series of Parity Bonds, the maximum amount of principal and interest becoming due in accordance with the stated maturity date or mandatory sinking fund redemption for the current year or any succeeding Fiscal Year with respect to all Parity Bonds secured by such reserve (determined as of the issue date of each such series of Parity Bonds);

provided, however, that in calculating the maximum amount of interest becoming due with respect to any Variable Rate Bonds, the interest rate shall be the fixed interest rate estimated by the Director of Finance necessary to sell such proposed Variable Rate Bonds at 100% of the principal amount thereof in an open market transition, provided that the estimated interest rate shall be not more than 100% and not less than 90% of the 30 Year Revenue Index of 25 Revenue Bonds published in the most recent issue of *The Bond Buyer* (or any successor thereto) preceding the date of the sale of such Variable Rate Bonds or, if such Index is no longer published, of a comparable index selected by the Water District, and provided further that in calculating the maximum amount of principal becoming due with respect to the Parity Bonds, the principal shall become due on the stated maturity dates for the Parity Bonds and on any mandatory sinking fund redemption dates.

Any resolution authorizing the issuance of Subordinate Lien Bonds may set a different or lesser Required Reserve Amount, or provide that a reserve is not required.

“SEC Rule” means Rule 15c-2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12).

“Secretary to the Board” means the Secretary to the Board of the Water District.

“Securities Depository” means, initially, DTC, and its successors and assigns.

“SIFMA Municipal Bond Index” means the Securities Industry and Financial Markets Association (“SIFMA”) Swap Index™ announced by SIFMA and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by SIFMA which meet specified criteria established by SIFMA and is based on current yields of high quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days’ notice, the interest on which under the Code, is excludable from gross income for federal income tax purposes.

“Stated Maturity” when used with respect to any Bond or any installment of interest thereon means the date specified in the Bond and the 2019 Bond Resolution as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

“Subordinate Lien Bonds” means any additional bonds or additional obligations payable from, and secured by a lien on the Revenues, which lien is junior to that of any Parity Bonds.

“System Indebtedness” means collectively the Bonds and any Additional Obligations which are payable out of, or secured by an interest in, the Revenues or Pledged Revenues.

“Treasurer” means the Treasurer of the Water District and any successors.

“Variable Rate” means a rate of interest applicable to Bonds, other than a fixed rate of interest which applies to a particular maturity of Bonds, so long as that maturity of Bonds remains Outstanding.

“Water System” means the entire water supply plant and system owned and operated by the Water District for the production, storage, treatment and distribution of water, to serve the needs of the Water District and its inhabitants and others, including all appurtenances and facilities connected therewith or relating thereto, together with all extensions, improvements, additions and enlargements thereto hereafter made or acquired by the Water District.

“Water System General Fund” means the Water System General Fund ratified and confirmed by the 2019 Bond Resolution.

“2010 Bond Resolution” means the Resolution of the Water District adopted June 8, 2010, as from time to time amended in accordance with the terms thereof, authorizing the issuance of the 2010 Bonds.

“2010 Bonds” means the Water Revenue Bonds, Series 2010, of the Water District, dated July 1, 2010, authorized and issued pursuant to the 2010 Bond Resolution.

“2012 Bond Reserve Account” means the 2012 Bond Reserve Account within the Bond Reserve Fund for the Parity Bonds ratified by the 2019 Bond Resolution.

“2012 Bond Resolution” means the Resolution of the Water District adopted October 2, 2012, as from time to time amended in accordance with the terms thereof, authorizing the issuance of the 2012 Bonds.

“2012 Bonds” means the Water Revenue Refunding Bonds, Series 2012, of the Water District, dated November 8, 2012, authorized and issued pursuant to the 2012 Bond Resolution.

“2014 Bond Reserve Account” means the 2014 Bond Reserve Account within the Bond Reserve Fund for the Parity Bonds ratified by the 2019 Bond Resolution.

“2014 Bond Resolution” means the Resolution of the Water District adopted January 14, 2014, as from time to time amended in accordance with the terms thereof, authorizing the issuance of the 2014 Bonds.

“2014 Bonds” means the Water Revenue Bonds, Series 2014, of the Water District, dated February 11, 2014, authorized and issued pursuant to the 2014 Bond Resolution.

“2017 Bond Resolution” means the Resolution of the Water District adopted October 10, 2017, as from time to time amended in accordance with the terms thereof, authorizing the issuance of the 2017 Bonds.

“2017 Bonds” means the Series 2017A Bonds and the Series 2017B Bonds.

“2017 Rebate Fund” means the Rebate Fund for the 2017 Bonds created by the 2017 Bond Resolution.

“2017A Bond Reserve Account” means the 2017A Bond Reserve Account within the Bond Reserve Fund for the Parity Bonds ratified by the 2019 Bond Resolution.

“2017A Bonds” means the Water Revenue Refunding Bonds, Series 2017A, of the Water District, dated November 8, 2017, authorized and issued pursuant to the 2017 Bond Resolution.

“2017B Bond Reserve Account” means the 2017B Bond Reserve Account within the Bond Reserve Fund for the Parity Bonds ratified by the 2019 Bond Resolution.

“2017B Bonds” means the Water Revenue Bonds, Series 2017B, of the Water District, dated November 8, 2017, authorized and issued pursuant to the 2017 Bond Resolution.

“2019 Bond Reserve Account” means the 2019 Bond Reserve Account created by the 2019 Bond Resolution.

“2019 Bond Resolution” means the Resolution of the Water District adopted November 12, 2019, as from time to time amended in accordance with the terms thereof, authorizing the issuance of the 2019 Bonds.

“2019 Bonds” means the Water Revenue Refunding Bonds, Series 2019, of the Water District, dated December 10, 2019, authorized and issued pursuant to the 2019 Bond Resolution.

“2019 Cost of Issuance Fund” means the 2019 Cost of Issuance Fund created by the 2019 Bond Resolution.

“2019 Principal and Interest Account” means the 2019 Principal and Interest Account within the Principal and Interest Fund for the Parity Bonds created by the 2019 Bond Resolution.

“2019 Rebate Fund” means the 2019 Rebate Fund created by the 2019 Bond Resolution.

Registration Provisions; Persons Treated as Registered Owners. The Water District covenants that it will, so long as the 2019 Bonds remain Outstanding, keep at the office of the Bond Registrar the Bond Register.

Each 2019 Bond shall be transferable only upon the Bond Register maintained by the Bond Registrar by the Registered Owner thereof in person or by the Registered Owner’s agent duly authorized in writing, upon surrender thereof together with a written instrument satisfactory to the Bond Registrar duly executed by the Registered Owner or the Registered Owner’s duly authorized agent. Upon the transfer of any such 2019 Bond and the payment of any fee, tax or governmental charge, the Bond Registrar shall issue in the name of the transferee a new 2019 Bond or 2019 Bonds of the same aggregate principal amount, series and maturity as the surrendered 2019 Bond registered in the name of the transferee in any denomination authorized.

The Water District, the Paying Agent and the Bond Registrar may deem and treat the person in whose name any 2019 Bond is registered as the absolute Registered Owner of the 2019 Bond, whether the 2019 Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal of, redemption premium, if any, and interest on the 2019 Bond and for all other purposes whatsoever, and all such payments so made to such Registered Owner or upon the Registered Owner's order shall be valid and effectual to satisfy and discharge the liability upon the 2019 Bond to the extent of the sum or sums so paid, and neither the Water District, the Paying Agent, nor the Bond Registrar shall be affected by any notice to the contrary, but such registration may be changed as provided in the 2019 Bond Resolution.

In all cases in which the privilege of transferring or exchanging 2019 Bonds is exercised, the Bond Registrar shall deliver new 2019 Bonds in accordance with the provisions of the 2019 Bond Resolution. For every such transfer of the 2019 Bond, the Bond Registrar may make a charge to the Registered Owner of the 2019 Bond sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. The fees and charges of the Bond Registrar for making any transfer provided for by the 2019 Bond Resolution and the expense of any bond reproduction necessary to effect the subsequent transfer of the 2019 Bond will be paid by the Water District.

Surrender and Cancellation of 2019 Bonds. Whenever any Outstanding 2019 Bonds shall be delivered to the Bond Registrar for cancellation pursuant to the 2019 Bond Resolution, upon payment of the principal amount thereof and interest thereon or for replacement pursuant to the 2019 Bond Resolution, such 2019 Bond shall be canceled by the Bond Registrar and the canceled 2019 Bond shall be returned to the Secretary to the Board.

Mutilated, Lost, Stolen or Destroyed 2019 Bonds. In the event any 2019 Bond is mutilated, lost, stolen or destroyed, the Water District may execute and the Bond Registrar may authenticate a new 2019 Bond of like date, series, maturity, denomination and interest rate, as that mutilated, lost, stolen or destroyed; provided, that in the case of any mutilated 2019 Bonds, such mutilated 2019 Bond shall first be surrendered to the Water District or the Bond Registrar, and, in the case of any lost, stolen or destroyed 2019 Bond, there shall be first furnished to the Water District and the Bond Registrar evidence of such loss, theft or destruction satisfactory to them, together with an indemnity satisfactory to them. In the event any such 2019 Bond shall have matured, instead of issuing a duplicate 2019 Bond, the Water District and Bond Registrar may pay the same without surrender thereof. The Water District and Bond Registrar may charge to the Registered Owner of such 2019 Bond their reasonable fees and expenses in connection with replacing 2019 Bond or 2019 Bonds mutilated, stolen, lost or destroyed.

Execution and Delivery of the 2019 Bonds. Each of the 2019 Bonds shall be signed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary to the Board and shall have the corporate seal of the Water District affixed thereto or imprinted thereon. In case any officer whose signature or facsimile thereof appears on any 2019 Bonds shall cease to be such officer before the delivery of such 2019 Bonds, such signature or facsimile thereof shall nevertheless be valid and sufficient for all purposes, the same as if such person had remained in office until delivery. Any 2019 Bond may be signed by such persons who at the actual time of the execution of such 2019 Bond shall be the proper officers to sign such 2019 Bond although at the date of such 2019 Bond such persons may not have been such officers.

The Chair of the Board and Secretary to the Board are hereby authorized and directed to prepare and execute the 2019 Bonds and to cause the 2019 Bonds to be registered as provided by law, and when duly executed and registered, to deliver the 2019 Bonds to the Bond Registrar for authentication. Upon authentication, the Bond Registrar shall deliver the 2019 Bonds to the Original Purchaser of the 2019 Bonds, upon receipt by the Water District of the Purchase Price of the 2019 Bonds.

The 2019 Bonds shall have endorsed thereon a certificate of authentication, which shall be manually executed by the Bond Registrar. No 2019 Bond shall be entitled to any security or benefit under the 2019

Bond Resolution or be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Bond Registrar. Such executed certificate of authentication upon any 2019 Bond shall be conclusive evidence that such 2019 Bond has been duly authenticated and delivered under the 2019 Bond Resolution. The certificate of authentication on any 2019 Bond shall be deemed to have been duly executed if signed by any authorized officer or employee of the Bond Registrar, but it shall not be necessary that the same officer or employee sign the certificate of authentication on all of the 2019 Bonds.

Ratification of Funds. The creation and establishment in the treasury of the Water District by the resolutions which authorized the Outstanding Parity Bonds of the following separate funds is ratified and confirmed:

Water System General Fund

Principal and Interest Fund for Parity Bonds within which there are the following accounts:

2017B Principal and Interest Account

2017A Principal and Interest Account

2014 Principal and Interest Account

2012 Principal and Interest Account

Bond Reserve Fund for Parity Bonds within which there are the following accounts:

2017B Bond Reserve Account

2017A Bond Reserve Account

2014 Bond Reserve Account

2012 Bond Reserve Account

2017B Rebate Fund

2017A Rebate Fund

2014 Rebate Fund

2012 Rebate Fund

Administration of Existing Funds. The funds and accounts referred to above shall be maintained and administered by the Water District solely for the purposes and in the manner as provided in the Parity Bond Resolutions so long as any of the related series of Parity Bonds remain Outstanding.

Creation of Funds and Accounts. There is created and ordered to be established in the treasury of the Water District the following separate funds and accounts to be known respectively as the:

- (a) 2019 Principal and Interest Account established within the Principal and Interest Fund for Parity Bonds;
- (b) 2019 Bond Reserve Account established within the Bond Reserve Fund for Parity Bonds;
- (c) 2019 Cost of Issuance Fund; and
- (d) 2019 Rebate Fund.

In addition to the Funds and Accounts described above, the Escrow Agreement establishes the Escrow Fund for Outstanding 2010 Bonds to be held and administered by the Escrow Agent in accordance with the provisions of the Escrow Agreement.

Administration of New Funds and Accounts. The funds and accounts referred to above (other than the Escrow Fund) shall be maintained and administered by the Water District solely for the purposes and in the manner as provided in the 2019 Bond Resolution and the Federal Tax Certificate.

Disposition of 2019 Bond Proceeds and Other Funds.

The 2019 Bonds. The Purchase Price of the 2019 Bonds shall be deposited simultaneously with the delivery of the 2019 Bonds, as follows:

There shall be deposited in the 2019 Principal and Interest Account any amount received on account of accrued interest on the 2019 Bonds.

There shall be deposited in the 2019 Bond Reserve Account an amount equal to the Required Reserve Amount for the 2019 Bonds.

Proceeds of the 2019 Bonds shall be deposited with the Escrow Agent, to be applied as set forth in the Escrow Agreement.

The remaining balance of the proceeds of the 2019 Bonds shall be deposited in the 2019 Cost of Issuance Fund.

Simultaneously with the delivery of the 2019 Bonds, the Water District shall transfer to the Escrow Agent, all funds on deposit in the (a) Principal and Interest Fund for the 2010 Bonds and (b) Bond Reserve Fund for the 2010 Bonds. The Water District hereby covenants and agrees that all transfers to the Escrow Agent provided for pursuant to this paragraph shall be irrevocable to the extent such funds are required for the redemption of the Outstanding 2010 Bonds on January 1, 2020, and the Water District shall have no right to rescind or request the repayment of any funds so transferred.

Application of Moneys in the Escrow Fund. Under the Escrow Agreement, the Escrow Agent will apply moneys in the Escrow Fund to purchase the Escrowed Securities and to establish an initial cash balance in accordance with the Escrow Agreement. The cash and Escrowed Securities held in the Escrow Fund will be applied by the Escrow Agent solely in the manner authorized by the Escrow Agreement. All money deposited with the Escrow Agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the 2010 Bond Resolution and the Escrow Agreement.

Application of Moneys in the 2019 Cost of Issuance Fund. Moneys in the 2019 Cost of Issuance Fund shall be used by the Water District for the sole purpose of paying the cost of issuance of the 2019 Bonds. Any moneys remaining in such fund after the earlier of payment of all cost of issuance of the 2019 Bonds or May 1, 2020, shall be transferred to the 2019 Principal and Interest Account.

2019 Rebate Fund. There shall be deposited in the 2019 Rebate Fund such amounts as are required to be deposited therein pursuant to the Federal Tax Certificate. All money at any time deposited in the 2019 Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Federal Tax Certificate), for payment to the United States of America, and neither the Water District nor the Registered Owner of any 2019 Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the 2019 Rebate Fund shall be governed by this Section and the Federal Tax Certificate.

The Water District shall periodically determine the rebatable arbitrage, if any, under Code § 148(f) in accordance with the Federal Tax Certificate, and the Water District shall make payments to the United States of America at the times and in the amounts determined under the Federal Tax Certificate. Any moneys remaining in the 2019 Rebate Fund after redemption and payment of all of the 2019 Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor, shall be deposited into the Water System General Fund.

Notwithstanding any other provision of the 2019 Bond Resolution, the obligation to pay rebatable arbitrage to the United States of America and to comply with all other requirements of this Section and the Federal Tax Certificate shall survive the defeasance or payment in full of the 2019 Bonds.

Deficiency of Payments into Funds or Accounts. If at any time the Revenues derived by the Water District from the operation of the Water System shall be insufficient to make any payment on the date or dates specified, the Water District will make good the amount of such deficiency by making additional payments or credits out of the first available Revenues thereafter received by the Water District from the operation of the

Water System, such payments and credits being made and applied in the order specified in the 2019 Bond Resolution.

Transfer of Funds to Paying Agent. The Treasurer of the Water District is further authorized and directed to withdraw from the Principal and Interest Fund for the Parity Bonds and, to the extent necessary to prevent a default in the payment of either principal or interest on the Parity Bonds, first from the Water System General Fund, second from the cash in the Bond Reserve Fund for the applicable series of Parity Bonds as provided in the 2019 Bond Resolution, and then from the Equivalent Security in the Bond Reserve Fund for the applicable series of Parity Bonds as provided in the 2019 Bond Resolution, sums sufficient to pay the principal of and interest on the Parity Bonds and the fees of the Paying Agent when the same become due, and to forward such sums to the Paying Agent in a manner which ensures the Paying Agent will have available funds in such amounts on or before the Business Day immediately preceding the date when such principal, interest and fees of the Paying Agent will become due; provided, however, that if the terms of the Equivalent Security limit the use thereof to the payment of the principal of and interest on the Parity Bonds, the Equivalent Security shall not be used to pay the fees of the Paying Agent. The Water District agrees that all transfers of funds made to the Paying Agent for the payment of the principal of and interest on the Parity Bonds shall be irrevocable to the extent such funds are required for the timely payment of the Parity Bonds and the Water District shall have no right to rescind or request the repayment of any funds so transferred.

In any case where a Bond Payment Date is not a Business Day, then payment of principal or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

Investment of Funds. Moneys held in any fund or account created by or ratified in the Parity Bond Resolutions may be invested by the Water District in accordance with the 2019 Bond Resolution and the Federal Tax Certificate, in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such fund was created.

All interest on any investments held in the funds and accounts created by the 2019 Bond Resolution of this resolution shall accrue to and become part of such fund; provided, however: (a) all moneys in the 2019 Bond Reserve Account in excess of the Required Reserve Amount shall accrue to and become a part of the 2019 Principal and Interest Account.

In determining the amount held in any fund under any of the provisions of the Parity Bond Resolutions, obligations shall be valued at the fair market value.

Efficient and Economical Operation. The Water District will maintain in good repair and working order its Water System and will operate the same in an efficient manner and at reasonable cost. The Water District shall take all reasonable measures permitted by law to enforce prompt payment to it of all fees, taxes and charges and other revenues.

Rate Covenant. The Water District will fix, establish, maintain and collect such rates, fees and charges for water or water service furnished by or through the Water System, and revise the same from time to time whenever necessary, which rates, fees and charges shall be sufficient to pay the wages and salaries of all officers and employees, any amount owed the Equivalent Security Provider, costs of operation, improvement and maintenance of the Water System, provide adequate depreciation, improvement and extension reserves, provide for the payment at maturity or applicable mandatory redemption, of the principal of the Parity Bonds and pay the interest thereon when due, and create reasonable reserves for such purposes, and sufficient to allow for miscellaneous and emergency or unforeseen expenses. Such rates, fees and charges shall at all times be sufficient so that the Net Revenues of the Water System, adjusted to exclude any revenues or expenses

resulting from a gain or loss, or mark-to-market change into any Hedge Agreement, shall be not less than 125% of the Annual Debt Service.

If in any Fiscal Year the Revenues are insufficient to satisfy the above requirements, within **120** days after the end of such Fiscal Year, the Water District shall increase the rates, fees and charges for water or water service furnished by or through the Water System, and reduce Water System expenses, in such manner as may be necessary such that the above requirements shall be met for the following Fiscal Year. If the Water District fails to take such action within **135** days after the end of such Fiscal Year, or if the Revenues are insufficient to meet the above requirements in any two consecutive Fiscal Years, the Water District shall employ a Consultant within **30** days thereafter to make recommendations as to a revision of the schedule of rates, fees and charges and/or reductions in Water System expenses in order to provide that the above requirements shall be met for subsequent Fiscal Years. A copy of the Consultant's report and recommendations shall be filed with the Water District within **180** days after the end of such Fiscal Year and shall be furnished to any Owner of the Bonds requesting a copy of the same at such requesting Owner's cost. The Water District shall follow the recommendations of the Consultant to the extent feasible. So long as provisions of this paragraph are complied with and so long as the Bond Reserve Fund has not been drawn upon to pay debt service as a result of the failure of the Water District to satisfy the provisions of this paragraph and no other Event of Default shall have occurred and be continuing, this paragraph shall be deemed to have been complied with for such Fiscal Year even if the Revenues are insufficient to satisfy the above requirements for such Fiscal Year and will not constitute an Event of Default under the 2019 Bond Resolution.

Reasonable Charges for all Services. None of the facilities or services afforded by the Water System will be furnished to any user without a reasonable charge being made therefore; provided, however, the Board may determine that it is reasonable to provide without charge facilities or services in the case of emergency services, mutual aid to other governmental entities or the de minimus use of facilities or services for public purposes.

Restrictions on Mortgage or Sale of System. The Water District will not mortgage, pledge or otherwise encumber the Water System or any part thereof, or any extension or improvement thereof nor will it sell, lease or otherwise dispose of the Water System or any material part thereof; provided, however, the Water District may: (a) sell any portion of such property which shall have been replaced by other similar property of at least equal value or which shall cease to be necessary for the efficient operation of the Water System or (b) lease, as lessor or lessee, any portion of the Water System as long as said lease does not materially adversely affect the security of the Registered Owners of any of the Parity Bonds. The proceeds of any such sale or lease shall be paid and deposited into the Water System General Fund. The Water District may cease to operate, abandon or otherwise dispose of any property which has become obsolete, nonproductive or otherwise unusable to the advantage of the Water District.

Insurance. The Water District will carry and maintain a reasonable amount of fire and extended coverage insurance upon all of the properties forming a part of the Water System insofar as the same are of an insurable nature, such insurance to be of the character and coverage and in an amount that is comparable to insurance held by similar municipalities in the State and in accordance with K.S.A. 75-6101 *et seq.*, the Kansas Tort Claims Act. In the event of loss or damage, the Water District, with reasonable dispatch, will use the proceeds of such insurance in reconstructing and replacing the property damaged or destroyed, or, if such reconstruction or replacement be unnecessary, then the Water District will pay and deposit the proceeds of such insurance into the Water System General Fund. The Water District in operating the Water System will carry and maintain public liability, worker's compensation and fidelity insurance in such amounts as would normally be maintained by a private corporation engaged in a similar type of business, and the proceeds derived from such insurance shall be used in paying the claims on account of which such proceeds were received. The cost of all insurance obtained pursuant to the requirements of this subsection shall be paid as an operating cost out of the revenues of the Water System.

Books, Records and Accounts. The Water District will install and maintain proper books, records and accounts (entirely separate from all other records and accounts of the Water District) in which complete and correct entries will be made of all dealings and transactions of or in relation to the Water System of the Water District. Such accounts shall show the amount of revenues received from the Water System, the application of such revenues, and all financial transactions in connection therewith. Said books shall be kept by the Water District according to standard accounting practices as applicable to the operation of water utilities.

Annual Audit. After the end of each Fiscal Year, the Water District will annually cause an audit of the Water District's financial statements in accordance with auditing standards generally accepted in the United States of America to be made for the preceding Fiscal Year by a certified public accountant to be employed for that purpose and paid from the revenues of the Water System. After completion of each such audit, a copy thereof shall be filed in the office of the Secretary to the Board and in accordance with the provisions of the Act.

Consulting Engineer Report. As long as the Parity Bonds are Outstanding, at least once every five years, the Water District will cause the Consulting Engineer to make an examination of and report on the condition and operations of the Water System, such report to include recommendations as to any changes in such operations deemed desirable. Each such report shall also make reference to any unusual or extraordinary items of maintenance and repair and any extensions or improvements that may be needed in the ensuing five-year period for the Parity Bonds. A copy of each such report shall be filed in the office of the Secretary to the Board and, upon request, sent to any Registered Owner.

Right of Inspection. The Registered Owner or Registered Owners, and the Beneficial Owners of any of the 2019 Bonds shall have the right at all reasonable times to inspect all records, accounts and data relating thereto in accordance with K.S.A. 45-215 *et seq.*, as amended (the "Kansas Open Records Act"), and any such Registered Owner shall be furnished all such information concerning the Water System and the operation thereof which such Registered Owner may reasonably request in accordance with the Kansas Open Records Act.

Performance of Duties. The Water District will faithfully and punctually perform all duties and obligations with respect to the operation of the Water System, including all extensions and improvements thereto, now or hereafter imposed upon the Water District by the Constitution and laws of the State and by the provisions of the 2019 Bond Resolution.

Events of Default. An Event of Default under the 2019 Bond Resolution shall have occurred upon each of the following occurrences or events:

(a) Payment of the principal and of the redemption premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at Stated Maturity or by proceedings for redemption or otherwise; or

(b) Payment of any installment of interest on any of the Bonds shall not be made when the same shall become due; or

(c) The Water District shall for any reason be rendered incapable of fulfilling its obligations hereunder; or

(d) Any substantial part of the Water System shall be destroyed or damaged to the extent of impairing its efficient operation or adversely affecting its Net Revenues and the Water District shall not within a reasonable time commence the repair, replacement or reconstruction thereof and proceed thereafter to complete with reasonable dispatch the repair, replacement or reconstruction thereof; or

(e) Final judgment for the payment of money shall be rendered against the Water District as a result of the ownership, control or operation of the Water System and any such judgment shall not be discharged within one hundred twenty (120) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(f) An order or decree shall be entered, with the consent or acquiescence of the Water District, appointing a receiver or receivers of the Water System or any part thereof or of the revenues thereof, or if such order or decree, having been entered without the consent or acquiescence of the Water District, shall not be vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof; or

(g) Any proceeding shall be instituted, with the consent or acquiescence of the Water District, for the purpose of effecting a composition between the Water 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 from the Pledged Revenues; or

(h) The Water District shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the 2019 Bond Resolution (other than the covenants relating to continuing disclosure contained in the 2019 Bond Resolution and in the Continuing Disclosure Undertaking) on the part of the Water District to be performed, and such default shall continue for sixty (60) days after written notice specifying such default and requiring same to be remedied shall have been given to the Water District by the Owner of any of the Bonds then Outstanding; provided that if such default cannot reasonably be expected to be fully remedied, such default shall not constitute an Event of Default if the Water District shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; or

(i) A monetary default shall have occurred on any financial obligations secured in whole or in part from Pledged Revenues.

Remedies. The provisions of the 2019 Bond Resolution shall constitute a contract between the Water District and the Registered Owners of the 2019 Bonds. If Event of Default occurs and is continuing, the Registered Owner or Registered Owners of not less than 10% in principal amount of the 2019 Bonds at the time Outstanding and any Qualified Hedge Provider shall have the right for the equal benefit and protection of all Registered Owners of 2019 Bonds similarly situated and the Qualified Hedge Provider:

(a) by mandamus or other suit, action or proceedings at law or in equity to enforce the Registered Owner's or Registered Owners' rights and the Qualified Hedge Provider's rights against the Water District and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the 2019 Bond Resolution or by the constitution and laws of the State;

(b) by suit, action or other proceedings in equity or at law to require the Water District, its officers, agents and employees to account as if they were the trustees of an express trust; and

(c) by suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owner of the 2019 Bonds and any Qualified Hedge Provider.

Limitation on Rights of Registered Owners and Qualified Hedge Provider. No one or more Registered Owners or any Hedge Provider secured hereby shall have any right in any manner whatever by such Registered Owner's or Qualified Hedge Provider's action to affect, disturb or prejudice the security granted and provided for, or to enforce any right hereunder, except in the manner provided, and all proceedings at law

or in equity shall be instituted, had and maintained for the equal benefit of all Registered Owners of such Outstanding Bonds and any Qualified Hedge Provider.

Remedies Cumulative. No remedy conferred upon the Registered Owners or any Qualified Hedge Provider is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred. No waiver of any default or breach of duty or contract by the Registered Owner of any 2019 Bond or any Qualified Hedge Provider shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon. No delay or omission of any Registered Owner or any Qualified Hedge Provider to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Registered Owners of the 2019 Bonds or any Qualified Hedge Provider by the 2019 Bond Resolution may be enforced and exercised from time to time and as often as may be deemed expedient. In case any suit, action or proceedings taken by any Registered Owner or any Qualified Hedge Provider on account of any default or to enforce any right or exercise any remedy shall have been discontinued or abandoned for any reason, or shall have been determined adversely to such Registered Owner or any Qualified Hedge Provider, then, and in every such case, the Water District and the Registered Owners of the 2019 Bonds and any Qualified Hedge Provider shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Registered Owners and any Qualified Hedge Provider shall continue as if no such suit, action or other proceedings had been brought or taken.

Third Party Beneficiaries. Each Beneficial Owner shall be a third party beneficiary to the 2019 Bond Resolution and shall have ownership rights reserved to them under the applicable provisions of Section 17A of the Securities Exchange Act of 1934, and the same control, protections, remedies and privileges as given to the Registered Owners by the terms of the 2019 Bond Resolution, except for those functions as may be assigned to the Registered Owners to be exercised for the use and benefit of the Beneficial Owners by the rules relating to Beneficial Owners of securities that are applicable to DTC and its Participants as that term is defined in said rules and which are on file with the Securities and Exchange Commission, by the terms of the 2019 Bond Resolution, or as otherwise limited by applicable law or regulation.

No Obligation to Levy Taxes. Nothing contained in the 2019 Bond Resolution shall be construed as imposing on the Water District any duty or obligation to levy any taxes either to meet any obligation incurred or to pay the principal of or interest on the 2019 Bonds.

Defeasance. When all of the 2019 Bonds shall have been paid and discharged, then the requirements contained in the 2019 Bond Resolution and the pledge of revenues made hereunder and all other rights granted hereby shall terminate. 2019 Bonds shall be deemed to have been paid and discharged within the meaning of the 2019 Bond Resolution if there shall have been deposited with the Paying Agent or a bank having trust powers, at or prior to the maturity or redemption date of said 2019 Bonds, in trust for and irrevocably appropriated thereto, moneys and/or direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America or as otherwise permitted under State law which, together with the interest to be earned on any such obligations, will be sufficient for the payment of the principal of said 2019 Bonds, the redemption premium thereon, if any, and interest accrued to the date of maturity or redemption, as the case may be, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments; provided, however, that the amount to be deposited for any Variable Rate Bonds issued by the Water District shall be an amount which in the opinion of Bond Counsel is sufficient to defease such Variable Rate Bonds in accordance with the supplemental resolution authorizing such Variable Rate Bonds; and provided, further that if any such 2019 Bonds shall be redeemed prior to the maturity thereof, the Water District shall have elected to redeem such 2019 Bonds and notice of such redemption shall have been given. Any moneys and obligations which at any time shall be deposited with said Paying Agent or bank by or on behalf of the Water District, for the purpose of paying and discharging any of the 2019 Bonds, shall be and are hereby assigned, transferred and set over to the Paying Agent or bank in trust for the respective

Registered Owners of the 2019 Bonds, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge of the 2019 Bond Resolution. All moneys deposited with the Paying Agent or bank shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the 2019 Bond Resolution.

Amendments. The rights and duties of the Water District and the Registered Owners, and the terms and provisions of the Parity Bonds or of the Parity Bond Resolutions, may be amended or modified at any time in any respect by resolution of the Water District with the written consent of any applicable Equivalent Security Provider for the Parity Bonds and with written acknowledgement by any Rating Agency which has assigned a rating to the Parity Bonds at the request of the Water District that such amendment or modification will not, in and of itself, result in a downgrade of the current rating on the Parity Bonds, but no such modification or alteration shall: (a) extend the maturity of any payment of principal or interest due upon any Parity Bond; (b) effect a reduction in the amount which the Water District is required to pay by way of principal of or interest on any Parity Bond; (c) permit the creation of a lien on the Revenues of the Water System prior or equal to the lien of the Parity Bonds; (d) permit preference or priority of any Parity Bonds over any other Parity Bonds; or (e) reduce the percentage in principal amount of Parity Bonds required for the written consent to any modification or alteration of the provisions of the Parity Bond Resolutions.

Any provision of the 2019 Bonds or of the 2019 Bond Resolution may, however, be amended or modified by resolution duly adopted by the Board at any time in any respect with the written consent of any applicable Equivalent Security Provider and the Registered Owners of all of the 2019 Bonds at the time Outstanding.

Any and all modifications made in the manner provided shall not become effective until there has been filed with the Secretary to the Board a copy of the resolution of the Water District, duly certified, as well as proof of consent to such modification by any Equivalent Security Provider and, if required, the Registered Owners of the Parity Bonds then Outstanding.

Disclosure. In the event the Water District fails to comply in a timely manner with its continuing disclosure covenants, the Original Purchaser and/or any Beneficial Owner may make demand for such compliance by written notice to the Water District. In the event the Water District does not remedy such noncompliance within 10 days of receipt of such written notice, the Original Purchaser or any Beneficial Owner may in its discretion, without notice or demand, proceed to enforce compliance by a suit or suits in equity for the specific performance of such covenant or agreement contained in the preceding section or for the enforcement of any other appropriate legal or equitable remedy, as the Original Purchaser and/or any Beneficial Owner shall deem effectual to protect and enforce any of the duties of the Water District under the Continuing Disclosure Undertaking.

Notices, Consents and Other Instruments by Registered Owners. Any notice, consent, request, direction, approval, objection or other instrument required by the 2019 Bond Resolution to be signed and executed by the Registered Owners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Registered Owners in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of the 2019 Bonds, if made in the following manner, shall be sufficient for any of the purposes of the 2019 Bond Resolution, and shall be conclusive in favor of the Water District and the Paying Agent and Bond Registrar with regard to any action taken, suffered or omitted under any such instrument, namely: (a) The fact and date of the execution by any person of any such instrument may be proved by a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such instrument acknowledged before such officer the execution thereof or by affidavit of any witness to such execution; and (b) The fact of ownership of the 2019 Bonds, the amount or amounts, numbers and other identification of the 2019 Bonds, and the date of holding the same shall be proved by the Bond Register maintained by the Bond Registrar.

All notices given by: (a) certified or registered mail as aforesaid shall be deemed duly given as of the date they are so mailed; (b) fax as aforesaid shall be deemed duly given as of the date of confirmation of receipt. If, because of the temporary or permanent suspension of regular mail service or for any other reason, it is impossible or impractical to mail any notice in the manner provided, then such other form of notice as shall be made with the approval of the Paying Agent shall constitute a sufficient notice.

Outstanding Parity Bond Resolutions. As long as the 2012 Bonds, 2014 Bonds, 2017A Bonds or 2017B Bonds are Outstanding, the Water District shall comply with the terms and provisions of the applicable Parity Bond Resolution (as amended pursuant to the 2019 Bond Resolution and after giving effect to any future amendments of such Parity Bond Resolutions). In case any one or more of the provisions of this 2019 Bond Resolution or of the 2019 Bonds shall for any reason be inconsistent with the provisions of any Parity Bond Resolution, as amended, or any Parity Bonds: (a) the provisions of any Parity Bond Resolution, including any amendments thereto, adopted prior to or contemporaneously with the 2019 Bond Resolution shall prevail with respect to Parity Bonds issued prior in time, so long as such Parity Bonds are Outstanding; and (b) the provisions of the 2019 Bond Resolution shall prevail with respect to any Parity Bond Resolution adopted subsequent to the 2019 Bond Resolution, so long as any 2019 Bonds are Outstanding.

Tax Covenants. The Water District covenants and agrees that it will comply with: (a) all applicable provisions of the Code necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2019 Bonds; and (b) all provisions and requirements of the Federal Tax Certificate. The Chair of the Board, Secretary, and Director of Finance are hereby authorized and directed to execute the Federal Tax Certificate in a form approved by Bond Counsel, for and on behalf of and as the act and deed of the Water District. The Water District will, in addition, adopt such other resolutions and take such other actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the interest on the 2019 Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the Water District.

The covenants contained in this Section and in the Federal Tax Certificate shall remain in full force and effect notwithstanding the defeasance of the 2019 Bonds pursuant to the 2019 Bond Resolution or any other provision of the 2019 Bond Resolution until such time as is set forth in the Federal Tax Certificate.

Execution of Documents. The Chair of the Board is hereby authorized and directed to execute the 2019 Bond Resolution and such documents and closing certificates as are necessary in connection with the issuance of the 2019 Bonds with any changes, insertions and omissions as in the opinion of the Chair of the Board are necessary and desirable, and the Secretary to the Board or Treasurer to the Water District is hereby authorized to attest the Chair's signature and affix the Board's seal, such execution and attestation being conclusive as to the approval, correctness and completeness of the 2019 Bond Resolution and such documents and certificates.

Amendment of 2012 Bond Resolution, 2014 Bond Resolution and 2017 Bond Resolution. Sections 902, 1101 and 1102 of the 2012 Bond Resolution, 2014 Bond Resolution and 2017 Bond Resolution are hereby repealed and replaced with the provisions of Sections 902, 1101 and 1102 of the 2019 Bond Resolution, except that any references in such sections to the 2019 Bonds shall be deemed to refer to the respective series of Parity Bonds authorized by such Parity Bond Resolutions. Such amended provisions shall become effective contemporaneously with the issuance of the 2019 Bonds.

Electronic Transactions. The issuance of the 2019 Bonds and the transactions related thereto may be conducted and documents may be stored by electronic means.

Severability. If any section or other part of the 2019 Bond Resolution shall for any reason be held invalid, the invalidity thereof shall not affect the validity of the other provisions of the 2019 Bond Resolution.

Governing Law. The 2019 Bond Resolution shall be governed exclusively by and constructed in accordance with the applicable laws of the State.

Effective Date. The 2019 Bond Resolution shall take effect and be in full force from and after its adoption by the Board.

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***WATER DISTRICT NO. 1 OF
JOHNSON COUNTY, KANSAS
FINANCIAL STATEMENTS
DECEMBER 31, 2018***

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Independent Auditors' Report

Water District Board
Water District No. 1 of Johnson County, Kansas
Lenexa, Kansas

Report On The Financial Statements

We have audited the accompanying financial statements of Water District No. 1 of Johnson County, Kansas as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Water District No. 1 of Johnson County, Kansas' basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Water District No. 1 of Johnson County, Kansas as of December 31, 2018 and 2017, and the changes in financial position and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change In Accounting Principle

As discussed in Note 1 to the financial statements, in 2018 Water District No. 1 of Johnson County, Kansas adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the schedule of changes in OPEB liability and related ratios on page 52 and the schedules of selected pension information of the employee retirement plan on pages 50 through 51 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 53 through 60, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

RubinBrown LLP

March 5, 2019

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

This section of Water District No. 1 of Johnson County, Kansas' (WaterOne's) comprehensive annual financial report presents an analysis of WaterOne's financial performance during the fiscal years ended December 31, 2018 and 2017. This information is presented in conjunction with the audited financial statements which follow this section.

Financial Highlights

Operating revenues in 2018 were \$117.10 million. Operating revenues in 2017 were \$107.20 million.

Operating expenses in 2018 were \$56.68 million, excluding depreciation. Operating expenses in 2017 were \$52.93 million, excluding depreciation.

During 2018 and 2017, WaterOne received \$18.81 million and \$20.28 million, respectively, in capital contributions.

Investment income before unrealized gains and losses for 2018 was approximately \$2.74 million compared to \$1.37 million in 2017. The 2018 average funds invested of \$167.53 million was more than the 2017 balance of \$137.18 million and the 2018 rate of return of 1.64 percent was higher than the 2017 rate of 1.00 percent.

WaterOne's capital assets were \$1,059 million in 2018 compared to \$1,020 million in 2017.

The debt service coverage ratio for Debt Service (excluding System Development Charges) was 2.88 for 2018, compared to 2.31 for 2017.

Overview Of The Financial Statements

The annual Financial Report is presented in the following sections: The Independent Auditor's Report, Management's Discussion and Analysis, Financial Statements with Notes, Required Supplementary Information and Supplementary Information.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (Continued)

Required Financial Statements

The financial statements of WaterOne utilize the full accrual basis of accounting. The financial statements conform to accounting principles that are generally accepted in the United States of America. The Statement of Net Position includes information on WaterOne's assets, deferred outflows, liabilities, and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the obligations to WaterOne's creditors (liabilities). The Statement of Revenues, Expenses, and Changes in Net Position identifies WaterOne's revenues, expenses, and capital contributions for the years ended 2018 and 2017. The other required financial statement is the Statement of Cash Flows. From the Statement of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the change in the cash balance for each of the last two fiscal years. This statement provides information on WaterOne's cash receipts, cash payments and changes in cash resulting from operations, investments, and financing activities.

Financial Analysis Of WaterOne

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide an indication of WaterOne's financial condition and indicate if the financial condition has improved over the previous year. WaterOne's total net position increased \$39.34 million (4.33 percent) in 2018 and \$39.43 million (4.53 percent) in 2017.

Table 1
Net Position
(Dollars in thousands)

	December 31,		Variance		December 31,		Variance	
	2018	2017	Dollars	Percentage	2016	Dollars	Percentage	
			Increase (Decrease)			Increase (Decrease)		
Capital assets	\$ 1,059,422	\$ 1,019,953	\$ 39,469	3.87%	\$ 999,306	\$ 20,647	2.07%	
Total special funds	38,012	62,148	(24,136)	(38.84)%	45,035	17,113	38.00%	
Total current assets	163,450	145,304	18,146	12.49%	125,206	20,098	16.05%	
Deferred outflows of resources	8,054	7,703	351	4.56%	7,837	(134)	(1.71)%	
Total Assets And								
Deferred Outflows	\$ 1,268,938	\$ 1,235,108	\$ 33,830	2.74%	\$ 1,177,384	\$ 57,724	4.90%	
Long-term liabilities and other liabilities	\$ 284,157	\$ 295,858	\$ (11,701)	(3.95)%	\$ 277,716	\$ 18,142	6.53%	
Current liabilities	32,633	28,528	4,105	14.39%	30,007	(1,479)	(4.93)%	
Deferred inflows of resources	3,988	1,897	2,091	110.23%	263	1,634	100.00%	
Total Liabilities And Deferred								
Inflows Of Resources	320,778	326,283	(5,505)	(1.69)%	307,986	18,297	5.94%	
Net investment in capital assets	807,594	774,551	33,043	4.27%	743,852	30,699	4.13%	
Restricted	25,706	27,050	(1,344)	(4.97)%	27,487	(437)	(1.59)%	
Unrestricted	114,860	107,224	7,636	7.12%	98,059	9,165	9.35%	
Total Net Position	948,160	908,825	39,335	4.33%	869,398	39,427	4.53%	
Total Liabilities, Deferred Inflows								
Of Resources, And Net Position	\$ 1,268,938	\$ 1,235,108	\$ 33,830	2.74%	\$ 1,177,384	\$ 57,724	4.90%	

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis *(Continued)*

Table 2
Statement Of Revenues, Expenses, And Changes In Net Position
(Dollars in thousands)

	December 31,		Variance		December 31,		Variance	
	2018	2017	Dollars	Percentage	2016	Dollars	Percentage	
			Increase	(Decrease)			Increase	(Decrease)
Operating revenues	\$ 117,098	\$ 107,197	\$ 9,901	9.24%	\$ 109,916	\$ (2,719)	(2.47)%	
Operating expenses	<u>56,681</u>	<u>52,927</u>	<u>3,754</u>	7.09%	<u>49,728</u>	<u>3,199</u>	6.43%	
Net Operating Income (Before Depreciation)	60,417	54,270	6,147	11.33%	60,188	(5,918)	(9.83)%	
Depreciation	<u>25,454</u>	<u>25,136</u>	<u>318</u>	1.27%	<u>23,608</u>	<u>1,528</u>	6.47%	
Net Operating Income	<u>34,963</u>	<u>29,134</u>	<u>5,829</u>	(100.00)%	<u>36,580</u>	<u>(7,446)</u>	(20.36)%	
Total other income	<u>4,235</u>	1,073	3,162	294.69%	1,439	(366)	(25.43)%	
Total other expenses	<u>12,294</u>	<u>11,056</u>	<u>1,238</u>	11.20%	<u>12,201</u>	<u>(1,145)</u>	(9.38)%	
Net Income Before Capital Contributions	26,904	19,151	7,753	40.48%	25,818	(6,667)	(25.82)%	
Capital contributions	<u>18,807</u>	<u>20,276</u>	<u>(1,469)</u>	(7.25)%	<u>15,704</u>	<u>4,572</u>	29.11%	
Change In Net Position	<u>45,711</u>	<u>39,427</u>	<u>6,284</u>	(100.00)%	<u>41,522</u>	<u>(2,095)</u>	(5.05)%	
Beginning Net Position As Previously Reported	908,825	869,398	39,427	4.53%	827,876	41,522	5.02%	
Prior Period Adjustments:								
Implementation of GASB 75	(6,376)	—	(6,376)		—	—		
Beginning Net Position As Restated	902,449	869,398	33,051		827,876	41,522		
Ending Net Position	\$ 948,160	\$ 908,825	\$ 39,335	(4.34)%	\$ 869,398	\$ 39,427	4.53%	
Total Revenues	\$ 140,140	\$ 128,546			\$ 127,059			
Total Expenses	\$ 94,429	\$ 89,119			\$ 85,537			

The largest source of WaterOne's operating revenue is water sales. Additional sources of operating revenue include income received from late payment fees, administrative service charges, and miscellaneous income. WaterOne's other income is derived from interest income earned on WaterOne investments and gains and losses from investments.

Operating expenses are the expenses necessary to keep the water system in good repair and working order and include (but are not limited to) salaries, benefits, costs of materials, supplies, insurance, power and chemicals, and depreciation. Other expenses primarily include the payment of interest on WaterOne's outstanding Senior Parity Bonds and Second Lien Bonds. The last of the Senior Parity Bonds were refunded in November of 2017 which closes that level of bonds for WaterOne.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (*Continued*)

Variances in water sales revenues from year to year are generally the product of three major factors: water rate changes, changes in customer consumption patterns due to weather influences, and changes in the number of customers.

- 1. Water Rate Changes** - Effective January 1, 2018, WaterOne's retail water rates increased 0.00 percent. Effective January 1, 2017, WaterOne's retail water rates increased 1.90 percent.
- 2. Changes in Customer Consumption Due to Weather Influences** - 2018 water sales were \$115.63 million. Sales in 2018 were \$3.31 million more than projected and \$9.83 million more than those in 2017. 2017 water sales were \$105.8 million. Sales for 2017 were \$5.5 million less than projected and \$2.79 million less than those in 2016. Approximately 63.16 percent of the water sales revenue was from sales to single-family residences. The remaining 36.84 percent represent sales to multifamily and commercial customers.

Gallons sold in 2018 were 19.79 billion which was 1.75 billion more than gallons sold in 2017 and .10 billion less than projected. Gallons sold in 2017 were 18.04 billion which was 0.89 billion less than gallons sold in 2016 and 1.80 billion less than projected.

- 3. Changes in the Number of Customers** - Excluding temporary fire hydrant meters and wholesale customers, 1,462 new retail customers were added in 2018, which were 178 (13.86 percent) more than the 1,284 new customers added in 2017. The new 2017 customers were 110 (7.89 percent) less than the 1,394 new customers added in 2016.

Investment income (before unrealized gain/loss on investments) increased from \$1.37 million in 2017 to \$2.74 million in 2018. Investment income (before unrealized gain/loss on investments) increased from \$803,000 in 2016 to \$1.37 million in 2017.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Average funds invested	\$167.53 Million	\$137.18 Million	\$122.42 Million
Average rate of return	1.66%	1.00%	0.66%

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (*Continued*)

As reflected on the Statement of Revenues, Expenses, and Changes in Net Position, the operating expenses for WaterOne are divided into the following five functional categories: Water Source, Treatment, and Pumping; Transmission and Distribution; Customer Service; Administrative and General; and Depreciation.

1. **Total Operating Expenses** (before depreciation) were \$3.75 million (7.09 percent) more in 2018 than in 2017. The increase in operating expenses during 2018 was primarily due to higher power, chemical, and net labor costs.
 - **Water Source, Treatment, and Pumping** expenses were \$2.32 million (8.82 percent) higher in 2018 than in 2017, primarily due to:
 - An increase in power cost of \$1.15 million
 - An increase in chemical costs of \$502,000
 - An increase in net labor of \$340,000
 - **Transmission and Distribution** expenses were \$1.03 million (9.03 percent) higher in 2018 than in 2017, primarily due to:
 - An increase in net labor of \$842,000
 - An increase in maintenance of mains expense of \$365,000
 - **Customer Service** expenses were \$310,000 (6.99 percent) higher in 2018 than in 2017.
 - An increase in net labor of \$235,000
 - An increase in uncollectable accounts of \$33,000
 - **Administrative and General** expenses were \$95,000 (0.88 percent) higher in 2018 than in 2017.
 - An increase in net labor of \$460,000
 - A decrease in net benefits allocation of \$82,000
 - Expense savings in several smaller expense accounts including recruiting and hiring costs, retiree costs, and inventory.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis *(Continued)*

2. Total operating expenses (before depreciation) were \$3.20 million (6.43 percent) less in 2017 than in 2016. The increase in operating expenses during 2017 was primarily due to lower power and chemical costs. In addition, a change in accounting standards required a different calculation of the annual Defined Benefit Pension Plan expense.
- **Water Source, Treatment, and Pumping** expenses were \$1.73 million (7.03 percent) higher in 2017 than in 2016 primarily due to:
 - An increase in power cost of \$668,000
 - An increase in chemical costs of \$443,000
 - An increase in net labor of \$351,000
 - An increase in net benefits allocation of \$212,000
 - **Transmission and Distribution** expenses were \$466,000 (4.26 percent) higher in 2017 than in 2016.
 - **Customer Service** expenses were \$146,000 (3.41 percent) higher in 2017 than in 2016.
 - **Administrative and General** expenses were \$860,000 (8.65 percent) higher in 2017 than in 2016.

Capital Contributions

Capital contributions are recognized as “Contributions” on the Statements of Revenues, Expenses, and Changes in Net Position. Capital contributions for the years 2018, 2017 and 2016 consisted of the following:

Table 3
Capital Contributions
(Dollars in thousands)

	December 31,		Variance		December 31, 2016	Variance	
	2018	2017	Dollars	Percentage		Dollars	Percentage
			Increase	(Decrease)		Increase	(Decrease)
Main extensions	\$ 7,801	\$ 8,793	\$ (992)	(11.28)%	\$ 4,591	\$ 4,202	91.53%
System development charges	9,292	9,958	(666)	(6.69)%	9,525	433	4.55%
Benefit areas	222	147	75	51.02%	172	(25)	(14.53)%
New services	1,492	1,378	114	8.27%	1,416	(38)	(2.68)%
Total Capital Contributions	\$ 18,807	\$ 20,276	\$ (1,469)	(7.25)%	\$ 15,704	\$ 4,572	29.11%

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (*Continued*)

Capital Assets

As of December 31, 2018, WaterOne's investment in net capital assets totaled \$1.06 billion which is an increase of \$39.47 million (3.87 percent) over the 2017 balance. Net capital assets in 2017 totaled \$1.02 billion, which was an increase of \$20.65 million (2.07 percent) over the 2016 balance of \$999.31 million. WaterOne's major capital assets includes land, infrastructure assets, water treatment facilities, water mains, services, hydrants, pump stations, reservoirs, administrative/service center facilities, fleet, and other general assets. A comparison of WaterOne's capital assets over the past three years is presented in Table 4 below.

Table 4
Capital Assets
(Dollars in thousands)

	December 31,		Variance		December 31,	Variance	
	2018	2017	Dollars	Percentage		2016	Dollars
			Increase (Decrease)			Increase (Decrease)	
Land	\$ 31,719	\$ 31,733	\$ (14)	(0.04)%	\$ 31,728	\$ 5	0.02%
Intake, purification and pumping system	393,370	389,482	3,888	1.00%	384,064	5,418	1.41%
Transmission and distribution system	867,549	851,616	15,933	1.87%	831,169	20,447	2.46%
Buildings, improvements, furniture and equipment	56,150	50,940	5,210	10.23%	50,627	313	0.62%
Construction work in progress	101,108	63,477	37,631	59.28%	46,092	17,385	37.72%
Capital Assets Before Depreciation	\$ 1,449,896	\$ 1,387,248	\$ 62,648	4.52%	\$ 1,343,680	\$ 43,568	3.24%
Less: Accumulated depreciation	\$ (390,474)	\$ (367,295)	\$ (23,179)	6.31%	\$ (344,374)	\$ (22,921)	6.66%
Net Capital Assets	\$ 1,059,422	\$ 1,019,953	\$ 39,469	3.87%	\$ 999,306	\$ 20,647	2.07%

Additions to WaterOne's capital assets reflect a capital plan to replace and maintain existing facilities and equipment, adopt more efficient technologies, ensure compliance with applicable water quality rules and regulations and provide for the expansion of supply, treatment and distribution facilities per WaterOne's long-term capital expansion program.

Long-Term Debt

WaterOne finances its capital assets through a combination of water rates, investment income, system development charges and revenue bonds. As indicated in the Notes to Financial Statements, WaterOne's General Fund makes a monthly prorated deposit to the Principal and Interest Fund to fund the semi-annual principal and interest payments on the outstanding debt.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (*Continued*)

In 2018, the Second Lien bonds were rated Aaa by Moody's and AAA by Standard and Poor's. The last of the outstanding Senior Parity Bonds were refunded in November 2017 which closed the Senior Parity bond series. As a result of the closing of the Senior Parity series, Moody's upgraded all of WaterOne's Second Lien bonds to Aaa in November 2017.

At the end of 2018, WaterOne had \$250.86 million of outstanding bonds, compared to \$265.61 million at the end of 2017. The decrease was the result of principal payments of \$11.81 million and the retirement of \$2.94 million of the 2009 Bonds.

At the end of 2017, WaterOne had \$265.61 million of outstanding bonds, compared to \$256.45 million at the end of 2016. The increase was the result of the issuance of \$150.31 million of bonds in November 2017, the retirement of \$132.09 million of the 2007 bonds, and principal payments of \$9.07 million.

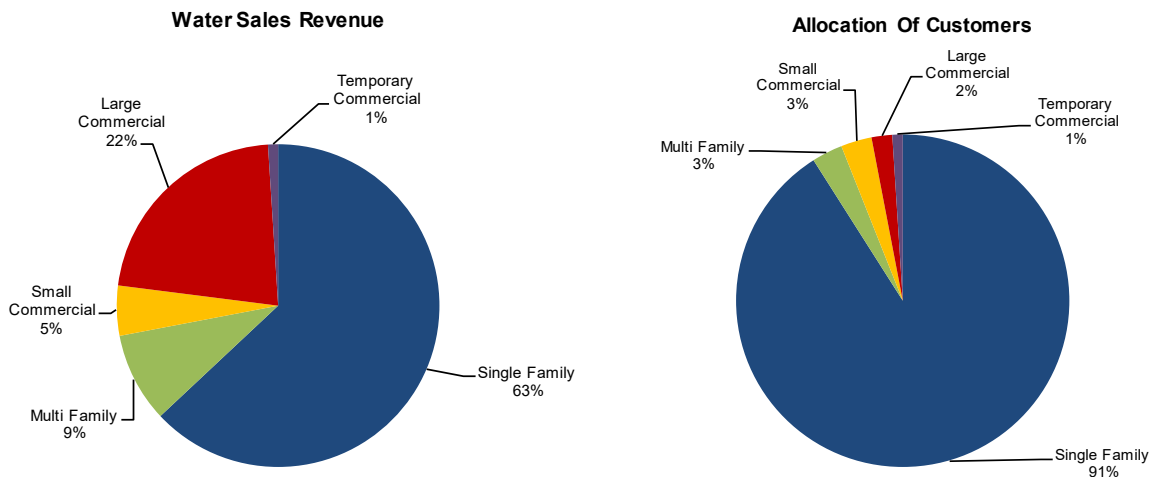
As discussed in Note 4 of the Notes to Financial Statements, the current debt service schedule extends to 2042 and includes bonds with interest rates ranging from 1.50 percent to 5.00 percent. Bond covenants require that WaterOne maintain a debt service coverage ratio on its Water Revenue bonds of 1.25; however, current Board policy stipulates that the budgeted debt service coverage ratio be maintained at a minimum of 2.00 (before inclusion of System Development Charges). For 2018, the actual debt service coverage ratio for WaterOne's bonds (excluding System Development Charges) was 2.88 which was higher than the comparable ratio of 2.31 for 2017 and higher than the 2016 ratio of 2.47.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (Continued)

Economic Factors And Next Year's Projections And Rates

WaterOne's service territory includes approximately 272 square miles, located primarily in Johnson County, Kansas. In addition, WaterOne has the exclusive right to provide potable water to all or a portion of 17 municipalities as well as unincorporated areas. As of December 31, 2018, WaterOne served 147,956 customers compared to 146,472 customers served as of December 31, 2017 and 145,208 served as of December 31, 2016. As of December 31, 2018, 90.98 percent of the customers served were single-family residential homes.



Sixty-three percent of annual water sales were to single family residential homes, and the remaining 37 percent was scattered among many relatively small commercial users. For the year ended December 31, 2018, WaterOne's top 15 commercial customers contributed only 3.78 percent of total 2018 annual water sales revenue.

WaterOne budgets revenues and expenses based on anticipated water consumption for a "normal" weather year. Revenues for a given budget year need to be sufficient to provide funds for operation and maintenance expenses, debt service funding and annual capital expenditures. In addition, revenues for a given year may be budgeted to provide funds for contributions to the Master Plan capital program, the Transmission & Distribution capital program and/or the Negative Cash Flow Reserve. Finally, Board Policy #16 stipulates that rates must be at such a level that budgeted net operating income (before depreciation) combined with budgeted investment income must be at least two times the combined annual debt service for all of WaterOne's Revenue bonds.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (*Continued*)

WaterOne Contact Information

This financial report is designed to provide customers and creditors with a general overview of WaterOne's finances and to demonstrate accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact:

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Water District No. 1 of Johnson County, Kansas
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Lenexa, Kansas 66219
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E-mail: dkamradt@waterone.org

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

STATEMENT OF NET POSITION

Page 1 Of 2

	December 31,	
	2018	2017
Assets And Deferred Outflows Of Resources		
Current Assets		
Cash, cash equivalents and short-term investments:		
Water system general fund	\$ 127,605,789	\$ 108,626,883
System development account	18,564,412	18,918,260
Accounts receivable and accrued water sales	9,755,945	9,995,560
Interest receivable	619,889	887,971
Materials and supplies	5,079,879	4,143,078
Contractor extension receivables	547,720	1,843,097
Prepayments and deposits	1,277,329	888,632
Total Current Assets	163,450,963	145,303,481
Noncurrent Assets		
Capital Assets, Net Of Accumulated Depreciation		
Nondepreciable capital assets:		
Land	31,719,435	31,732,399
Construction in progress	101,108,434	63,477,172
Total nondepreciable capital assets	132,827,869	95,209,571
Depreciable capital assets:		
Intake, purification, and pumping system	217,757,482	223,747,451
Transmission and distribution system	679,398,028	674,632,642
Building, improvements, furniture, and equipment	29,438,852	26,363,630
Total depreciable capital assets, net of accumulated depreciation	926,594,362	924,743,723
Net Capital Assets	1,059,422,231	1,019,953,294
Restricted Cash And Investments		
Special funds created by bond resolutions:		
Principal and interest	145,325	1,038,867
Second Lien bond reserve fund	14,326,676	15,636,176
Construction fund	4,243,361	26,499,610
Water system general fund	19,296,234	18,973,316
Total Special Funds Created By Bond Resolutions	38,011,596	62,147,969
Total Noncurrent Assets	1,097,433,827	1,082,101,263
Total Assets	1,260,884,790	1,227,404,744
Deferred Outflows Of Resources		
Pensions	6,929,043	7,703,570
Other post employment benefits	1,124,456	—
Total Assets And Deferred Outflows Of Resources	\$ 1,268,938,289	\$ 1,235,108,314

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

STATEMENT OF NET POSITION

Page 2 Of 2

	December 31,	
	2018	2017
Liabilities, Deferred Inflows of Resources And Net Position		
Current Liabilities		
Accounts payable	\$ 10,128,645	\$ 7,534,260
Customer advances for system development charges	3,343,300	2,675,615
Retainage on construction contracts	2,741,760	595,828
Current maturities of revenue bonds payable	11,755,000	12,585,000
Accrued interest on revenue bonds payable	—	535,954
Compensated employee absences	1,678,434	1,502,578
Other current liabilities	2,985,566	3,098,850
Total Current Liabilities	32,632,705	28,528,085
Noncurrent And Other Liabilities		
Revenue bonds payable	239,100,000	253,025,000
Premium on revenue bonds payable	11,698,043	12,680,972
Customer advances for construction	3,969,969	6,429,560
Net pension liability	11,595,861	13,913,248
Other post-employment	17,793,464	9,809,148
Total Noncurrent And Other Liabilities	284,157,337	295,857,928
Total Liabilities	316,790,042	324,386,013
Deferred Inflows Of Resources		
Pensions	2,406,813	224,229
Refunding of debt	1,581,198	1,673,351
Total Liabilities And Deferred Inflows Of Resources	320,778,053	326,283,593
Net Position		
Net investment in capital assets	807,593,679	774,550,909
Restricted by bond resolution	25,705,907	27,050,077
Unrestricted	114,860,650	107,223,735
Total Net Position	948,160,236	908,824,721
Total Liabilities, Deferred Inflows of Resources And Net Position	\$ 1,268,938,289	\$ 1,235,108,314

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	For The Years	
	Ended December 31,	
	2018	2017
Operating Revenues		
Water sales	\$ 115,631,746	\$ 105,837,757
Other operating revenues	1,466,753	1,359,342
Total Operating Revenues	117,098,499	107,197,099
Operating Expense		
Water source, treatment and pumping	28,605,096	26,285,896
Transmission and distribution	12,438,343	11,408,087
Customer service	4,737,659	4,428,095
Administrative and general	10,899,876	10,804,719
Depreciation of utility plant	25,454,985	25,136,075
Total Operating Expense	82,135,959	78,062,872
Operating Income	34,962,540	29,134,227
Nonoperating Revenues (Expense)		
Investment income	3,065,389	904,667
Miscellaneous, net	95,287	167,634
Bond interest expense	(9,271,544)	(10,235,294)
Amortization expense - refunded bonds	202,092	(13,521)
Amortization of premiums and issuance costs	872,492	(274,394)
Loss on disposal of capital assets	(3,022,429)	(532,165)
Net Nonoperating Expense	(8,058,713)	(9,983,073)
Income Before Capital Contributions	26,903,827	19,151,154
Capital Contributions	18,807,271	20,275,958
Change In Net Position	45,711,098	39,427,112
Beginning Net Position, As Previously Reported	908,824,721	869,397,609
Prior Period Adjustment	(6,375,583)	—
Beginning Net Position, As Restated	902,449,138	869,397,609
Net Position - End Of Year	\$ 948,160,236	\$ 908,824,721

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

STATEMENT OF CASH FLOWS

Page 1 Of 2

	For The Years Ended December 31,	
	2018	2017
Cash Flows From Operating Activities		
Receipts from customers	\$ 117,274,476	\$ 107,031,847
Payments to suppliers	(36,994,595)	(31,173,580)
Payments to employees	(19,741,694)	(18,987,062)
Net Cash Provided By Operating Activities	60,538,187	56,871,205
Cash Flows Provided By Noncapital Financing Activities, Miscellaneous	95,287	167,633
Cash Flows From Capital And Related Financing Activities		
Proceeds from sale of capital assets	412,738	297,218
System development charges	9,959,205	9,815,570
Acquisition and construction of capital assets	(54,240,207)	(37,951,456)
Principal payments on revenue bonds	(11,815,000)	(9,065,000)
Interest payments on revenue bonds	(10,854,998)	(10,300,010)
Issuance of long term debt	—	150,310,000
Retirement of long term debt	(2,940,000)	(132,085,000)
Premiums on debt issuance	—	9,796,105
Debt issuance costs	—	(731,234)
Net Cash Used In Capital And Related Financing Activities	(69,478,262)	(19,913,807)
Cash Flows From Investing Activities		
Purchase of short-term investments	(154,791,696)	(136,751,903)
Interest received on investments	3,011,608	1,164,272
Maturities of short-term investments	163,954,672	97,150,000
Net Cash Provided By (Used In) Investing Activities	12,174,584	(38,437,631)
Net Increase (Decrease) In Cash	3,329,796	(1,312,600)
Cash - Beginning Of Year	13,808,889	15,121,489
Cash - End Of Year	\$ 17,138,685	\$ 13,808,889
Investments	\$ 167,043,112	\$ 175,884,223
Cash	17,138,685	13,808,889
Total Cash And Investments	\$ 184,181,797	\$ 189,693,112
Principal and interest fund - restricted	\$ 145,325	\$ 1,038,867
Water system general fund	127,605,789	108,626,883
Water system general fund - restricted	19,296,234	18,973,316
Cash bond reserve fund - restricted	14,326,676	15,636,176
Construction fund	4,243,361	26,499,610
System development account	18,564,412	18,918,260
	\$ 184,181,797	\$ 189,693,112

See the notes to the basic financial statements.

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WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

STATEMENT OF CASH FLOWS

Page 2 Of 2

	For The Years	
	Ended December 31,	
	2018	2017
Net Cash From Operating Activities		
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 34,962,540	\$ 29,134,227
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	25,454,985	25,136,075
Changes in assets and liabilities:		
(Increase) decrease in receivables and accrued water sales	175,978	(165,253)
Increase in materials and supplies	(965,445)	(355,936)
Increase in prepayments, deposits, net pension, and OPEB liability	731,044	230,558
(Increase) decrease in other assets	620,332	(521,099)
Increase (decrease) in accounts payable	(503,819)	699,599
Increase in other liabilities and compensation	62,572	2,713,034
Net Cash Provided By Operating Activities	\$ 60,538,187	\$ 56,871,205
Noncash capital and related financing activities:		
Property contributed to WaterOne	\$ 9,515,751	\$ 10,317,658
Capital assets related to retainage payable	2,145,932	(961,049)
Capital assets related to accounts payable	3,098,204	(61,390)
Noncash retirement of capital assets	3,022,429	532,165
Noncash investing activities:		
Appreciation (depreciation) of fair value	(321,863)	461,866

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

NOTES TO FINANCIAL STATEMENTS For The Year Ended December 31, 2018

Note 1. Summary Of Significant Accounting Policies

Water District No. 1 of Johnson County, Kansas (WaterOne) is a water utility that provides service to 147,956 and 146,472 customers as of December 31, 2018 and 2017, respectively. WaterOne was organized on November 2, 1953 as a quasi-municipal body corporate with the power of eminent domain. WaterOne is governed by a seven-member Water District Board. Election is for overlapping terms voted on by the qualified electors residing in the WaterOne service area.

Basis Of Accounting

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. WaterOne has authority to issue bonded debt without the approval of another government. It has the right to sue and be sued and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, WaterOne is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

WaterOne accounts for the water utility as a governmental enterprise fund. The accrual basis and economic measurement focus of accounting is utilized, under which revenues are recognized when earned, and expenses are recorded when liabilities are incurred or deferred charges are amortized. Under this basis of accounting, all assets and all liabilities associated with the operation of WaterOne are included in the statement of net position.

WaterOne follows accounting principles and financial reporting requirements as established by the Governmental Accounting Standards Board (GASB).

WaterOne prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to regulated utilities. The accounting and rates of WaterOne are established by the Water District Board.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements *(Continued)*

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. Non-operating revenues and expenses include those derived from capital and related financing activities, non-capital financing activities, and investing activities.

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

Capital Assets

Utility plant is stated at cost, or cost of construction, including overhead costs. Included in capital assets is the interest capitalized during construction in accordance with accounting principles generally accepted in the United States of America. Interest of \$1,047,501 and \$101,885 was capitalized in fiscal year 2018 and 2017, respectively. Fully depreciated plant and equipment are included in the accounts until their disposal. WaterOne's capitalization threshold is \$5,000.

Depreciation is provided on the straight-line method using the following useful lives:

Intake, purification and pumping system	20 - 100 years
Transmission and distribution systems	10 - 100 years
Buildings, improvements, furniture and equipment	3 - 50 years

Accounts Receivable And Unbilled Revenue

WaterOne 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 WaterOne is recorded as accounts receivable and accrued water sales, net of an allowance for uncollectable accounts of \$55,000 as of December 31, 2018 and 2017.

Investments

Authorized investments consist of direct obligations of the United States of America, debt obligations of certain United States Government Sponsored Enterprises (Agencies) and collateralized bank certificates of deposit. Investments are reported at fair value, based on quoted market prices.

Special Funds Created By Bond Resolutions

Special funds created by bond resolutions consist of cash and investments restricted for debt service on WaterOne's outstanding bonds (P & I Fund), bond reserve funds, construction funds, and bond covenant required reserves in the general fund.

Materials And Supplies

Materials and supplies inventories are reported at average cost.

Unamortized Refunding Charges

Deferred amounts related to gains or losses from refunding debt are classified as Deferred Outflows or Inflows of Resources and are amortized over the shorter of either 1) the original life of the refunded debt or 2) the life of the refunding debt.

Bond Premium

Bond premiums are amortized over the life of the related issue using a method which approximates the interest method.

Vacation And Sick Leave

Under the terms of WaterOne's personnel policy, employees are granted vacation and sick leave in varying amounts. In the event of retirement or termination, an employee is paid for accumulated vacation if proper notice is given by the employee. WaterOne accrues the costs related to earned employee vacation, which includes the employer portion of payroll-related taxes.

Upon retirement or termination, employees are not paid for unused sick leave. The costs of sick leave are recorded when paid and are not accrued.

Cash And Cash Equivalents

WaterOne considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Water District No. 1 of Johnson County, Kansas Sixth Revised Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Water District No. 1 of Johnson County, Kansas Other Postemployment Benefit Plan (the Plan) and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The Plan is not funded, therefore the Plan has no fiduciary net position to report.

Use Of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (Continued)

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used for acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent bond proceeds. As of December 31, 2018 and 2017, WaterOne had \$4.2 million and \$26.5 million of unspent bond proceeds, respectively. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Any remaining net position is considered unrestricted.

New Accounting Standards

For the year ended December 31, 2018, WaterOne implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The new statement changes the standards for measuring and recognizing liabilities, deferred outflows and inflows of resources and expense related to postemployment benefit plans. Additional information on the impact of implementing GASB 75 can be found in Note 8 and the required supplementary information section. As a result of implementation, net position as of January 1, 2018, was restated as follows:

Net position, as previously reported	<u>\$ 908,824,721</u>
Prior period adjustment	
Net OPEB liability (GASB 75) - January 1, 2018	(16,184,731)
Net OPEB obligation (GASB 45) - December 31, 2017	<u>9,809,148</u>
Total prior period adjustment	<u>(6,375,583)</u>
Net position, as restated	<u><u>\$ 902,449,138</u></u>

This restatement did not include beginning balances for deferred inflows or outflows of resources. Net position as of January 1, 2018 (which is presented in these financial statements) is not restated due to the significant additional cost to provide the information.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (Continued)

Note 2. Capital Assets

Capital asset activity for the year ended December 31, 2018 is as follows:

	Balance - December 31, 2017	Increases	Decreases	Balance - December 31, 2018
Capital assets not being depreciated:				
Land	\$ 31,732,399	\$ —	\$ (12,964)	\$ 31,719,435
Construction work in progress	63,477,172	68,359,090	(30,727,828)	101,108,434
Total capital assets not being depreciated	95,209,571	68,359,090	(30,740,792)	132,827,869
Capital assets being depreciated:				
Intake, purification and pumping system	389,482,455	4,056,183	(168,384)	393,370,254
Transmission and distribution systems	851,615,636	20,321,113	(4,388,204)	867,548,545
Building, improvements, furniture and equipment	50,940,974	6,350,532	(1,141,484)	56,150,022
Total capital assets being depreciated	1,292,039,065	30,727,828	(5,698,072)	1,317,068,821
Less accumulated depreciation for:				
Intake, purification, and pumping system	165,735,004	10,022,087	(144,319)	175,612,772
Transmission and distribution systems	176,982,994	12,185,128	(1,017,605)	188,150,517
Building, improvements, furniture and equipment	24,577,344	3,247,770	(1,113,944)	26,711,170
Total accumulated depreciation	367,295,342	25,454,985	(2,275,868)	390,474,459
Total capital assets being depreciated, net	924,743,723	5,272,843	(3,422,204)	926,594,362
Net Capital Assets	\$ 1,019,953,294	\$ 73,631,933	\$ (34,162,996)	\$ 1,059,422,231

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (Continued)

Capital asset activity for the year ended December 31, 2017 is as follows:

	Balance - December 31, 2016		Increases	Decreases	Balance - December 31, 2017
Capital assets not being depreciated:					
Land	\$ 31,727,793	\$ 4,606	\$ —	\$ —	\$ 31,732,399
Construction work in progress	46,092,312	46,612,502	(29,227,642)		63,477,172
Total capital assets not being depreciated	77,820,105	46,617,108	(29,227,642)		95,209,571
Capital assets being depreciated:					
Intake, purification, and pumping system	384,064,105	5,893,999	(475,649)		389,482,455
Transmission and distribution systems	831,168,848	21,518,546	(1,071,758)		851,615,636
Building, improvements, furniture and equipment	50,627,174	1,810,491	(1,496,691)		50,940,974
Total capital assets being depreciated	1,265,860,127	29,223,036	(3,044,098)		1,292,039,065
Less accumulated depreciation for:					
Intake, purification, and pumping system	156,063,010	10,147,643	(475,649)		165,735,004
Transmission and distribution systems	165,261,335	11,967,333	(245,674)		176,982,994
Building, improvements, furniture and equipment	23,049,638	3,021,099	(1,493,393)		24,577,344
Total accumulated depreciation	344,373,983	25,136,075	(2,214,716)		367,295,342
Total capital assets being depreciated, net	921,486,144	4,086,961	(829,382)		924,743,723
Net Capital Assets	\$ 999,306,249	\$ 50,704,069	\$ (30,057,024)	\$	\$ 1,019,953,294

Note 3. Deposits And Investments

Kansas statutes authorize WaterOne, with certain restrictions, to deposit or invest in various accounts and instruments. Pursuant to WaterOne's bond resolutions, operating funds and bond funds are to be invested in direct obligations of the United States of America or any agency thereof, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, including debt obligations of the Government National Mortgage Association.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Operating and bond funds may also be invested in debt obligations of the Federal Home Loan Mortgage Company, the Federal National Mortgage Association and/or the Federal Home Loan Bank. Operating and bond funds may also be invested in collateralized repurchase agreements which are collateralized at 100 percent of fair market value by direct obligations of the United States of America or any agency thereof or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, or by debt obligations of the Federal Home Loan Mortgage Company, the Federal National Mortgage Association, the Federal Home Loan Bank and/or the Government National Mortgage Association.

Operating and bond funds may also be invested in guaranteed investment contracts (GICs) with any bank, non-bank financial institution, or insurance company that has long-term debt (or claims paying ability for insurance companies) rated at least "A" or "A2" by Standard & Poor's or Moody's, respectively. In the case of a guaranteed corporation, the long-term debt (or claims-paying ability for insurance companies) of the guarantor must be rated at least "A" or "A2" by Standard & Poor's or Moody's, respectively. Upon downgrade below these ratings, the GIC provider must either post collateral or assign the agreement to a provider meeting the rating qualifications above. Acceptable collateral and margin requirements, if any, are to be specified in the GIC agreement.

Operating funds and bond funds may also be invested in Mortgage Backed Securities (MBS) for which the principal and interest are unconditionally guaranteed by the United States of America.

Statutes also require that collateral pledged for deposits must have a fair market value equal to 100 percent, less insured amounts, and must be assigned for the benefit of WaterOne. Acceptable collateral is limited to securities that are direct obligations of the United States of America or any agency thereof, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America including U.S. Treasuries and debt obligations of the Government National Mortgage Association, the Federal Home Loan Mortgage Company, the Federal National Mortgage Association or the Federal Home Loan Bank and MBS for which the principal and interest are unconditionally guaranteed by the United States of America.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (Continued)

Deposits

As of December 31, 2018 and 2017, the bank balance of WaterOne's deposits were \$16,821,500 and \$14,026,306, respectively, which were covered by federal depository insurance or by collateral held by the Federal Reserve Bank in WaterOne's name under a joint custody arrangement with WaterOne's bank.

Investments

All of WaterOne's investments are registered and held by WaterOne or its agent in WaterOne's name. A summary of investments and deposits as of December 31, 2018 and 2017 is as follows:

	Fair Value/Carrying Value		Moody's / Standard & Poor's Rating
	2018	2017	
U.S. Treasury securities	\$ 165,007,978	\$ 169,886,407	N/A
Federal Home Loan Bank securities	2,035,134	1,997,816	Aaa/AA+
Certificates of deposit	—	4,000,000	N/A
Deposits	17,136,835	13,806,939	N/A
Petty cash	1,850	1,950	N/A
	<u>\$ 184,181,797</u>	<u>\$ 189,693,112</u>	

The investments and deposits at December 31, 2018 and 2017 are shown on the statement of net position as follows:

	2018	2017
Cash and temporary investments:		
General account	\$ 127,605,789	\$ 108,626,883
System development account	18,564,412	18,918,260
Special funds created by bond resolutions	38,011,596	62,147,969
	<u>\$ 184,181,797</u>	<u>\$ 189,693,112</u>

WaterOne categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

WaterOne has the following recurring fair value measurements as of December 31, 2018 and 2017:

- U.S. Treasury securities of \$165,007,978 and \$169,886,407, respectively, valued using quoted market prices (Level 1 inputs).
- Government Agency securities of \$2,035,134 and \$1,997,816, respectively, valued using quoted market prices (Level 1 inputs).
- Certificates of deposit of \$0 and \$4,000,000, respectively, valued at amortized cost.

Credit Risk And Concentration Of Credit Risk

Credit risk is the risk that the counterparty will not fulfill its obligations. WaterOne limits credit risk and concentration of credit risk by investing only in obligations explicitly guaranteed by the U.S. government, which are not considered to have credit risk, and obligations of the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank and Government National Mortgage Association. As of December 31, 2018, WaterOne held 1% of its investment securities in Federal Home Loan Bank securities, 0% in Federal Home Loan Mortgage Corporation securities, 0% in Federal National Mortgage Association securities, 0% in certificates of deposit, with the remainder being held in U.S Treasury Securities. As of December 31, 2017, WaterOne held 1% of its investment securities in Federal Home Loan Bank securities, 0% in Federal Home Loan Mortgage Corporation securities, 0% in Federal National Mortgage Association securities, 2% in certificates of deposit, with the remainder being held in U.S Treasury Securities.

Interest Rate Risk

Interest rate risk is the risk that the fair value of WaterOne's investments will decrease as a result of an increase in interest rates. In accordance with Kansas Statute 12-1675(4), WaterOne manages its exposure to declines in fair values by limiting the total remaining maturity of any single investment to less than two years, with the exception of reserve funds which may be invested in longer maturities to coincide with the expected use of funds, and by structuring the portfolio so that securities mature to meet cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity.

The weighted average maturity in years of investments is 0.83 and 0.85 as of December 31, 2018 and 2017, respectively.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements *(Continued)*

Custodial Credit Risk

Custodial credit risk is the risk that WaterOne will not recover its investments due to the inability of the counterparty to fulfill its obligation. WaterOne's deposits up to \$250,000 are guaranteed by depository insurance and balances above this threshold are collateralized with U.S. government securities held by the Federal Reserve in WaterOne's name.

Note 4. Bonded Indebtedness

Details of revenue bonds outstanding at December 31, 2018 and 2017 are as follows:

Outstanding Bonds	Original Principal	Principal 2018	Principal 2017
Water revenue refunding bonds:			
Series 2009 (2.0% to 5.0%), due 2010 - 2020	\$ 26,190,000	\$ —	\$ 3,725,000
Series 2012 (1.5% to 2.0%), due 2013 - 2020	6,605,000	1,170,000	2,340,000
Series 2017A(2.0% to 5.0%), due 2018 - 2033	110,205,000	102,565,000	110,205,000
Water revenue improvement bonds:			
Series 2010 (2.0% to 4.0%), due 2013 - 2030	28,890,000	22,545,000	24,065,000
Series 2014 (2.0% to 5.0%), due 2014 - 2033	86,350,000	84,970,000	85,170,000
Series 2017B (2.0% to 5.0%), due 2018 - 2042	40,105,000	39,605,000	40,105,000
	<u>\$ 478,590,000</u>	250,855,000	265,610,000
Less principal amount of bonds payable within one year		<u>11,755,000</u>	<u>12,585,000</u>
		<u>\$ 239,100,000</u>	<u>\$ 253,025,000</u>

Principal maturities occur twice a year on January 1 and July 1.

The annual requirement to retire the revenue bonds outstanding as of December 31, 2018 is as follows:

Year Ending December 31:	Principal	Interest	Total
2019	\$ 11,755,000	\$ 8,744,772	\$ 20,499,772
2020	12,340,000	8,931,256	21,271,256
2021	13,670,000	8,336,738	22,006,738
2022	14,305,000	7,700,500	22,005,500
2023	14,965,000	7,043,650	22,008,650
2024 - 2028	85,095,000	24,941,863	110,036,863
2029 - 2033	80,900,000	9,582,194	90,482,194
2034 - 2038	9,980,000	2,324,775	12,304,775
2039 - 2042	7,845,000	554,575	8,399,575
	<u>\$ 250,855,000</u>	<u>\$ 78,160,323</u>	<u>\$ 329,015,323</u>

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements *(Continued)*

Following is a schedule of bond activity in 2018:

	Balance - January 1, 2018	Bonds Issued	Principal Payments	Bonds Retired	Balance - December 31, 2018	Debt Due Within One Year	Interest Paid
Water revenue refunding							
bonds:							
Series 2009	\$ 3,725,000	\$ —	\$ 785,000	\$ 2,940,000	\$ —	\$ —	\$ 59,550
Series 2012	2,340,000	—	1,170,000	—	1,170,000	1,170,000	40,950
Series 2017A	110,205,000	—	7,640,000	—	102,565,000	7,835,000	4,981,191
Water revenue improvement							
bonds:							
Series 2010	24,065,000	—	1,520,000	—	22,545,000	1,570,000	952,638
Series 2014	85,170,000	—	200,000	—	84,970,000	200,000	3,183,144
Series 2017B	40,105,000	—	500,000	—	39,605,000	980,000	1,637,526
	<u>\$ 265,610,000</u>	<u>\$ —</u>	<u>\$ 11,815,000</u>	<u>\$ 2,940,000</u>	<u>\$ 250,855,000</u>	<u>\$ 11,755,000</u>	<u>\$ 10,854,999</u>

Following is a schedule of bond activity in 2017:

	Balance - January 1, 2017	Bonds Issued	Principal Payments	Bonds Retired	Balance - December 31, 2017	Debt Due Within One Year	Interest Paid
Water revenue refunding							
bonds:							
Series 2009	\$ 5,165,000	\$ —	\$ 1,440,000	\$ —	\$ 3,725,000	\$ 1,555,000	\$ 168,175
Series 2012	2,910,000	—	570,000	—	2,340,000	1,170,000	53,212
Series 2017A	—	110,205,000	—	—	110,205,000	7,640,000	—
Water revenue improvement							
bonds:							
Series 2007	137,115,000	—	5,030,000	132,085,000	—	—	5,872,241
Series 2010	25,510,000	—	1,445,000	—	24,065,000	1,520,000	1,011,138
Series 2014	85,750,000	—	580,000	—	85,170,000	200,000	3,195,244
Series 2017B	—	40,105,000	—	—	40,105,000	500,000	—
	<u>\$ 256,450,000</u>	<u>\$ 150,310,000</u>	<u>\$ 9,065,000</u>	<u>\$ 132,085,000</u>	<u>\$ 265,610,000</u>	<u>\$ 12,585,000</u>	<u>\$ 10,300,010</u>

The 2009, 2010, 2014, 2017A, and 2017B Series Bonds have early redemption provisions at the option of WaterOne. The 2009, 2010, and 2017B Series Bonds have certain mandatory sinking fund provisions beginning in 2020, 2022, and 2029, respectively. All outstanding Water Revenue Refunding and Water Revenue Improvement Bond Series constitute a lien on the water supply and distribution system and on the revenue produced by the system.

Under terms of the Second Lien Bond resolution, WaterOne must maintain debt service coverage of at least 1.25 times the annual debt service requirement. Under the formula for computing debt service coverage in the Bond resolutions, 2018 net revenues designated as available to meet debt service requirements (operating income before depreciation, plus system development charges and interest income) equaled 3.30 times the annual Second Lien debt service requirement.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

The revenue bond resolutions also require that, after all amounts due for operation and maintenance expenses are paid, certain monies be segregated or restricted in special reserves and accounts, as follows:

WaterOne shall deposit on the first day of each month, into the principal and interest account, such amount equal to not less than the pro rata amount of interest and principal that will become due on the bonds on the next succeeding payment date plus amounts that may be required for fiscal agent fees and expenses.

WaterOne shall maintain bond reserve funds for Second Lien Bonds. The funds shall consist of either cash or equivalent security irrevocably available as long as the bonds remain outstanding. The reserve requirement for each fund is equal to the lesser of the maximum annual debt service or 125 percent of the average annual debt service for the respective group of Second Lien bonds. As of December 31, 2018, there was \$1,499,900 in the 2010 Second Lien Bond Reserve, \$343,635 in the 2012 Second Lien Bond Reserve, \$4,477,836 in the 2014 Second Lien Bond Reserve, \$5,920,713 in the 2017A Second Lien Bond Reserve, and \$2,084,592 in the 2017B Second Lien Bond Reserve.

After all the requirements in the preceding provisions have been met, the remaining monies may be expended for any lawful purpose, provided WaterOne maintains a general fund balance sufficient to provide for renewal and replacement costs, operating expenses, material purchases and unfunded contracts and contingencies in an amount equal to 1/6 of budgeted revenue requirements.

As of December 31, 2018, WaterOne had committed cash and short-term investments as provided by bond resolutions or Board actions as follows:

General Fund cash and short-term investments	\$ 146,902,023
Less funds reserved by bond resolution (Section 703)	<u>(19,296,234)</u>
General Fund after bond resolution reserves (Section 703)	<u><u>\$ 127,605,789</u></u>

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

WaterOne, by Board action, can reserve remaining general funds to cover negative cash flows, to fund a Rate Stabilization Reserve, and to provide a reserve for current and future Master Plan construction projects as well as Transmission and Distribution projects. The reserving of these Master Plan and Transmission and Distribution funds reduces the necessity or size of future bond issues, thus reducing future debt service expense, and provides funding for the obligations of construction and other related contracts that have been awarded.

Additionally, WaterOne, by Board resolution, has established an account consisting of revenues collected from system development charges for the purpose of funding major improvements to the supply and distribution system. As of December 31, 2018 and 2017, the account totaled \$18,564,412 and \$18,918,260, respectively.

In 2018 and 2017, WaterOne did not carry an alternative debt in the form of bank loans.

On July 1, 2018, WaterOne cash defeased the remaining \$2,940,000 principal portion of the Series 2009 bonds. The interest savings on the defeased 2019 and 2020 principal amounts will be \$118,219.

In November 2017, WaterOne issued \$110,205,000 of Water Revenue Refunding Bonds, Series 2017A, with an average rate of 3.42 percent plus a net premium of \$8,209,265. Net bond proceeds (after paying debt issuance costs) along with other available WaterOne cash were used for the purpose of funding the 2017A Bond Reserve Account and to call the remaining outstanding amount of the Series 2007 Senior Parity Bonds. The difference between the cash flows required to service the old debt and the new debt was \$17,219,898. The economic gain resulting from the transaction was \$19,571,625.

In November 2017, WaterOne issued \$40,105,000 of Water Revenue Bonds, Series 2017B, with an average rate of 3.37 plus a net premium of \$1,586,840. Net proceeds of \$41,426,033 (after paying debt issuance costs) were used for the purpose of funding the 2017B Bond Reserve Account, funding capitalized interest and providing funds to build a portion of WaterOne's Master Plan facilities.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (Continued)

Note 5. Customer Advances For Construction

Customer advances for construction are primarily for construction of water main extensions. These are valued at acquisition value at the time of contribution. Some advances are contingently refundable in accordance with WaterOne's rules and regulations. However, substantially all main extension contracts executed provide for no refunds. The nonrefundable advances are recognized as contributed capital after construction is completed.

Note 6. Customer Advances For New Services, System Development Charges, And Capital Contributions

Customer advances for new services and system development charges are collected at the time the applicant requests a tapping permit. If the tap related to the permit is completed, the new service and system development charges are recognized as contributed capital. If the permit lapses, the new service amount and the system development amount are refunded to the applicant.

New services contributions consist of a nonrefundable charge assessed on completed new service connections. The new service charge is designed to compensate for the applicable cost of service materials and WaterOne labor and overhead costs related to the permitting, tapping and inspection process.

Intergovernmental contributed capital resulted from historical acquisitions of former rural water districts and municipal service areas.

Contributed capital from WaterOne-owned Benefit Areas (BA) consists of nonrefundable charges to those entities that request a hook-up to specifically designated water mains. These pre-designated mains are usually installed in "leap frog" development areas and the BA charges are designed to recuperate only the actual cost of the specific main that is being hooked on to.

Capital Contributions (Dollars in thousands)

	December 31,		Variance	
	2018	2017	Dollars Increase (Decrease)	Percentage
Main extensions	\$ 7,801	\$ 8,793	\$ (992)	(11.28)%
System development charges	9,292	9,958	(666)	(6.69)%
Benefit areas	222	147	75	51.02%
New services	1,492	1,378	114	8.27%
Total Capital Contributions	\$ 18,807	\$ 20,276	\$ (1,469)	(7.25)%

Note 7. Retirement Plan

Defined Benefit Plan Description

Water District No. 1 of Johnson County (Kansas) Sixth Revised Retirement Plan and the Water District No. 1 of Johnson County Cash Balance Plan (the Plan) is a single-employer defined benefit pension plan administered by WaterOne to provide pension benefits for its employees. The Plan does not issue a stand-alone financial report.

Benefits Provided

All full-time employees are covered under the Plan. Employees hired prior to January 1, 2014 participate in the Final Average Pay Plan, after attaining age 21 and one year of service. Employees hired on or after January 1, 2014 participate immediately in the Cash Balance Plan. The main benefits provided are retirement benefits. However, the Plan also provides ancillary benefits in the event of pre-retirement death, disability, or termination of employment prior to meeting the eligibility requirements to retire.

Final Pay Plan: Retirement is at age 65 with benefits calculated as the greater of: (1) 1.91% of average monthly earnings (AME) (AME is the highest five consecutive year average of January 1 base rates of pay) plus 0.48% of AME in excess of monthly integration multiplied by the years of credited service (max of 25) plus 0.50% of AME times credited service in excess of 25 years, (2) 1.5% of monthly base rate of pay for each plan year in which the participant earns credited service, or (3) the December 31, 1988 accrued benefit. The calculation varies with early retirement including unreduced benefits at age 62 with 15 years of service. Benefits vest after five years of service.

Cash Balance Plan: Retirement is at age 65 with benefits calculated using base pay and a schedule of pay credits ranging from 3% to 6%, based on years of service, plus interest credits at an effective annual rate of 5.25%. Early and late retirement benefits are actuarial equivalent of the participant's account balance as of the annuity starting date. Benefits vest after five years of service.

The benefit paid to a retired Final Pay Plan member is subject to an ad hoc COLA. No such COLA has been granted in the recent past. Benefit and contribution provisions are specified in the Plan document and may only be amended by WaterOne.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (Continued)

Employees Covered By Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

	<u>2018</u>	<u>2017</u>
Membership Data		
Retirees and Beneficiaries	83	73
Inactive Vested Members	92	95
Inactive Nonvested Members	2	2
Active Employees	<u>372</u>	<u>360</u>
Total Membership	<u><u>549</u></u>	<u><u>530</u></u>

Contributions

An actuarial valuation is performed each year to determine the employer actuarial required contribution. Contribution provisions are specified in the Plan document and may only be amended by WaterOne. Members of the Final Pay Plan do not make contributions to the Plan. Members of the Cash Balance Plan contribute 3% of compensation. WaterOne contributes for the full employer actuarial contribution amount as determined in the annual actuarial valuation. For the years ending December 31, 2018 and 2017, the Plan received \$2,683,768 and \$2,709,157, respectively, in employer contributions.

Net Pension Liability

WaterOne's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Method	Entry Age Normal
Asset Valuation Method	5 year smoothed market
Amortization Method	Level dollar, closed
Inflation	3.75% wage; 3.0% price
Salary Increases	3.75% - 8.75% per year
Investment Rate of Return, Net of Investment Expense	7.75%

Mortality rates were based on the RP-2000 Combined Mortality Table with generational mortality improvements using scale AA. Rates are set forward two years for males and set back one year for females.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (Continued)

Long-term Expected Rate Of Return

The long-term expected rate of return on Plan assets is reviewed as part of regular experience studies prepared periodically. The most recent analysis was performed and results were provided on June 3, 2014. Generally, several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by the Plan's investment consultant. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant often cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the long-term inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of December 31, 2018, as provided by the Plan's investment consultant, Benefit Trust, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate Of Return
Domestic Equity	52.00%	4.35%
Foreign Equity	13.00%	5.85%
Fixed Income	30.00%	1.19%
Cash/Cash Equivalents	5.00%	(0.25)%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability at December 31, 2018 and December 31, 2017 was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan contributions from employees and WaterOne will be made at the current contribution amounts as set out in the funding policy. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability at the measurement date. Projected future benefit payments for all current plan members were projected through 2117.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (Continued)

Changes In The Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances At December 31, 2016	\$ 50,049,247	\$ 37,280,799	\$ 12,768,448
Changes For The Year:			
Service cost at end of year	1,539,973	—	1,539,973
Interest on total pension liability	3,741,788	—	3,741,788
Differences between expected and actual experience	1,042,069	—	1,042,069
Assumption changes	—	—	—
Employer contributions	—	2,672,247	(2,672,247)
Employee contributions	—	127,371	(127,371)
Net investment income	—	2,657,466	(2,657,466)
Benefit payments, including member refunds	(3,603,463)	(3,603,463)	—
Administrative expenses	—	(278,054)	278,054
Net changes	2,720,367	1,575,567	1,144,800
Balances At December 31, 2017	\$ 52,769,614	\$ 38,856,366	\$ 13,913,248
Changes For The Year:			
Service cost at end of year	\$ 1,508,239	\$ —	\$ 1,508,239
Interest on total pension liability	3,973,168	—	3,973,168
Differences between expected and actual experience	672,001	—	672,001
Assumption changes	—	—	—
Employer contributions	—	2,709,157	(2,709,157)
Employee contributions	—	158,469	(158,469)
Net investment income	—	5,773,920	(5,773,920)
Benefit payments, including member refunds	(3,063,012)	(3,063,012)	—
Administrative expenses	—	(170,751)	170,751
Net changes	3,090,396	5,407,783	(2,317,387)
Balances At December 31, 2018	\$ 55,860,010	\$ 44,264,149	\$ 11,595,861

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (Continued)

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The following presents the net pension liability of WaterOne, calculated using the discount rate of 7.75%, as well as what the employer's net pension liability would be using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	Current Single Discount		
	Rate		
	1% Decrease	Assumption	1% Increase
	(6.75%)	(7.75%)	(8.75%)
Net Pension Liability	\$ 16,525,133	\$ 11,595,861	\$ 7,314,046

Pension Expense, Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To Pensions

For the years ended December 31, 2018 and 2017, WaterOne recognized pension expense under GASB 68 of \$3,323,494 and \$3,878,794, respectively. WaterOne reported deferred outflows and inflows of resources related to pensions from the following sources for 2018 and 2017:

	2018	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 1,798,547	\$ 185,634
Changes of assumptions	910,493	—
Differences between projected and actual earnings	1,536,235	2,221,179
Contributions subsequent to the measurement date	2,683,768	—
Total	\$ 6,929,043	\$ 2,406,813

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (Continued)

	2017	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 1,479,829	\$ 224,229
Changes of assumptions	1,176,720	—
Differences between projected and actual earnings	2,337,864	—
Contributions subsequent to the measurement date	2,709,157	—
Total	\$ 7,703,570	\$ 224,229

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date of \$2,683,768 will be recognized as a reduction in the net pension liability for the year ending December 31, 2019.

Experience gains/losses and the impact of changes in actuarial assumptions, if any, are recognized over the average expected remaining service life of the active and inactive Plan members at the beginning of the measurement period. Investment gains and losses are recognized equally over a five-year period. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Net Deferred Outflows Of Resources	Net Deferred Inflows Of Resources
2019	\$ 1,421,138	\$ 593,889
2020	1,315,986	593,889
2021	657,641	593,889
2022	389,870	593,889
2023	223,584	31,257
Thereafter	237,056	—
Total	\$ 4,245,275	\$ 2,406,813

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Note 8. Other Postemployment Benefits (OPEB)

Plan Description

WaterOne provides a single-employer health care plan that provides medical, prescription drugs and life insurance benefits to all employees, hired before January 1, 2008, who retire under the provisions of the Water District No. 1 of Johnson County, Kansas, Revised Retirement Plan. The current funding policy of WaterOne is to pay premiums as they occur on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

Employees who have attained age 55 and retire from active employment with 10 consecutive years of service are eligible for retiree benefits. Eligible retirees and their spouses receive medical, drug, and life insurance coverage through a fully-insured plan. These are the same plans that are available for active employees. WaterOne establishes and amends contribution requirements. WaterOne pays a portion of the health insurance premiums for the District's group medical insurance plan and/or an AARP (Medicare supplement plan) plan and/or a COBRA plan. The type of plan covering the retiree and spouse depends on the age of the retiree and spouse, and as each becomes 65 years old, the coverage changes from WaterOne's group medical plan to a Medicare supplement plan.

Employees Covered By Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

	<u>2018</u>
Membership Data	
Active Employees (Health and Life)	190
Retiree Health Benefits Plan:	
Retired Members	95
Spouses of Retireed Members	<u>46</u>
Total Retiree Health Plan	141
Retiree Life Insurance Plan:	
Retired Members	140

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (Continued)

Total OPEB Liability And Changes In OPEB Liability

WaterOne's total OPEB liability was based on an actuarial valuation dated January 1, 2017 that was rolled forward 12 months using standard actuarial techniques to a measurement date of December 31, 2017. Changes in the OPEB liability are as follows:

	<u>2018</u>
Net OPEB liability - beginning of year (GASB 45)	\$ 9,809,148
GASB 75 Implementation Adjustment (Note 1)	<u>6,375,583</u>
Net OPEB liability - beginning of year (as restated under GASB 75)	16,184,731
Service costs	479,840
Interest	615,238
Changes in assumptions and inputs	1,010,202
Employer contributions (benefit payments)	<u>(496,547)</u>
Net OPEB liability - end of year	<u><u>\$ 17,793,464</u></u>

Changes in assumptions for the December 31, 2017 measurement date relative to the January 1, 2017 valuation date include changing the discount rate from 3.86% to 3.43%.

Actuarial valuations reflect a long-term perspective and involve estimates of the value reported amounts and assumptions about the probability of events far into the future. Actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. These calculations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. As allowed by GASB, this reporting requirement is being implemented prospectively. Data is not available for prior years. The actuarial calculations have been based on the substantive plan in place at the time of valuation and on the pattern of cost sharing between the employers and members to that point.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (Continued)

Actuarial Assumptions And Other Inputs:

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions		
Actuarial cost method	Entry Age Normal	
Valuation date	January 1, 2017	
Measurement date	December 31, 2017	
Salary scale	3.75%	
Price inflation	3.00%	
UAAL amortization method	Level dollar amount	
UAAL amortization period, closed/open	5 years, open	
Discount rate	3.43% (Measurement Date) 3.86% (Valuation Date)	
Mortality	RP-2000 Combined Mortality Table with generational mortality improvements using Scale AA. Rates set forward 2 years for males and back 1 year for females	
	Pre-Medicare	Medicare
Health care cost trend rate	7.75%	5.75%
Ultimate trend rate	5.00%	5.00%
Year of Ultimate trend rate	2023	2020

To the extent Plan assets are projected to be sufficient to make projected benefit payments, the discount rate will equal the expected return on such assets. To the extent the Plan is not projected to be sufficient to make future benefit payments, the yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher should be factored in. Plan assets do not apply to WaterOne's program. In order to determine the municipal bond rate we took the monthly average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer. The selected average rates are 3.43% (measurement date) and 3.86% (valuation date). These were used as the discount rates to determine present value costs.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Sensitivity Of The Total OPEB Liability To Changes In The Discount Rate:

The following presents the total OPEB liability of WaterOne, as well as what WaterOne's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.43%) or one percentage point higher (4.43%) than the current discount rate:

	Current Single Discount		
	Rate		
	1% Decrease	Assumption	1% Increase
	(2.43%)	(3.43%)	(4.43%)
Total OPEB Liability	\$ 20,522,243	\$ 17,793,464	\$ 15,571,696

Sensitivity Of The Total OPEB Liability To Changes In The Healthcare Cost Trend Rates:

The following presents the total OPEB liability of WaterOne, as well as what WaterOne's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
		Trend	
Total OPEB Liability	\$ 15,552,754	\$ 17,793,464	\$ 20,605,244

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (Continued)

OPEB Expense And Deferred Outflows Of Resources And Deferred Inflows of Resources Related To OPEB:

For the year ended December 31, 2018, WaterOne recognized OPEB expense of \$805,116. At December 31, 2018, WaterOne reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ —	\$ —
Changes of assumptions	803,617	—
Differences between projected and actual earnings	—	—
Contributions subsequent to the measurement date	320,839	—
Total	\$ 1,124,456	\$ —

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date of \$320,839 will be recognized as a reduction in the OPEB liability for the year ending December 31, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Net Deferred Outflows Of Resources	Net Deferred Inflows Of Resources
2019	\$ 206,585	\$ —
2020	206,585	—
2021	206,585	—
2022	183,862	—
Total	\$ 803,617	\$ —

Note 9. Employee Benefits

Deferred Compensation

WaterOne offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time and part-time WaterOne employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Defined Contribution

WaterOne offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The defined contribution plan has four parts, consisting of the following:

Employees hired before January 1, 2014:

WaterOne offers its employees a defined contribution plan, available to all full-time and part-time WaterOne employees, which provides for a WaterOne contribution matching 50.0% of an employee's contribution to the 457 plan, up to 4.0% of the employee's eligible annual compensation. The maximum WaterOne contribution is 2.0% of the employee's eligible compensation.

WaterOne offers its employees a defined contribution plan, available to all full-time WaterOne employees with at least six months of service, which provides for a contribution of 2.5% of the employee's eligible annual compensation.

Employees hired on or after January 1, 2014:

WaterOne offers its employees a defined contribution plan, available to all full-time and part-time WaterOne employees, which provides for a WaterOne contribution matching 100.0% of an employee's contribution to the 457 plan, up to the first 2.0% of the employee's eligible annual compensation and a match of 50.0% on the next 5.0% of eligible annual compensation.

WaterOne offers its employees a defined contribution plan, available to all full-time WaterOne employees with at least six months of service, which provides for a contribution of 4.0% of the employee's eligible annual compensation.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements *(Continued)*

Assets of all portions of the 401(a) plan are not available to employees until termination, retirement, death or unforeseen emergency. New employees are subject to a five-year vesting schedule consisting of 20.0% vested at the end of each year until the employee has five years of service. After five years of service is obtained, all subsequent employer contributions are 100.0% vested.

WaterOne had deposited assets for the matching portions of the 401(a) plan in the amount of \$538,221 and \$453,693 during 2018 and 2017, respectively. As of December 31, 2018 and 2017, a liability had been recorded by WaterOne for the annual percent base contributions in the amounts of \$727,980 and \$642,425, respectively. These amounts were subsequently deposited to the defined contribution plan in February 2019 and 2018. The defined contribution plan assets are held in trust for the exclusive benefit of employees and their beneficiaries.

Compensated Absences

Under the terms of WaterOne's personnel policy, employees are granted vacation leave in varying amounts based on length of service and full-time or part-time status. In the event of retirement or termination, an employee is paid for accumulated vacation.

Vacation Liability At 12/31/2017	2018 Earned Vacation	2018 Taken Vacation	Vacation Liability At 12/31/2018	Due Within One Year
\$ 1,502,578	\$ 1,718,025	\$ 1,542,169	\$ 1,678,434	\$ 1,678,434

Vacation Liability At 12/31/2016	2017 Earned Vacation	2017 Taken Vacation	Vacation Liability At 12/31/2017	Due Within One Year
\$ 1,369,821	\$ 1,560,048	\$ 1,427,291	\$ 1,502,578	\$ 1,502,578

Note 10. Commitments And Contingencies

Master Plan projects are part of a comprehensive plan developed by WaterOne's consulting engineers to meet WaterOne's long-term water system needs. As of December 31, 2018, WaterOne had total contractor commitments of \$52.80 million related to various Master Plan projects, including those under Phase V. Approximately \$26.74 million of the Master Plan commitments have been charged to the projects as of December 31, 2018. WaterOne has sufficient monies designated in the system development account and the general account to fund any unpaid Phase V outstanding costs and retainages. Also included in the December 31, 2018 balance of the system development account and the general account are monies for anticipated engineering, legal services and contingencies that may be required to bring these projects to completion.

WaterOne has various lawsuits and claims pending which arise through the normal course of operations. Management believes the ultimate liabilities, if any, of these lawsuits would not be material to the financial position or results of operations of WaterOne.

Note 11. Risk Management

WaterOne is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and malpractice. WaterOne purchases commercial insurance for property and casualty, workers' compensation, employee health, life, and dental insurance. During the last three years, settled claims have not exceeded insurance coverage.

Note 12. Governmental Accounting Standards Board (GASB) Statements

As of December 31, 2018, GASB has issued statements that are not yet effective for WaterOne and have not yet been implemented, but will impact WaterOne's financial statements. The statements are as follows:

GASB issued Statement No. 84, *Fiduciary Activities*. This statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. This statement will be effective for WaterOne's year ending December 31, 2019. WaterOne has not yet determined the effect that the adoption of this Statement will have on its financial statements.

GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This statement will be effective for WaterOne's year ending December 31, 2020. WaterOne has not yet determined the effect that the adoption of this Statement will have on its financial statements.

GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement will be effective for WaterOne's year ending December 31, 2019. WaterOne has not yet determined the effect that the adoption of this Statement will have on its financial statements.

GASB issued Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. This statement will be effective for WaterOne's year ending December 31, 2020. WaterOne has not yet determined the effect that the adoption of this Statement will have on its financial statements.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

**REQUIRED SUPPLEMENTARY INFORMATION
Schedules Of Selected Pension Information
December 31, 2018**

Schedule 1

**Schedule of Employer Contributions
Year Ended December 31,
(\$ In Thousands)**

Year	Actuarially Determined Contribution	Contribution In Relation To The Required Contribution	Contribution Deficiency	Covered Employee Payroll	Contribution As A Percentage Of Covered Payroll
2009	\$ 3,102	\$ 3,056	\$ 46	\$ 21,273	14.4%
2010	3,133	3,181	(48)	20,423	15.6%
2011	3,348	3,356	(8)	20,625	16.3%
2012	3,469	6,461	(2,992)	21,608	29.9%
2013	2,966	2,966	—	22,199	13.4%
2014	2,684	2,684	—	22,832	11.8%
2015	3,081	3,081	—	23,045	13.4%
2016	2,672	2,672	—	23,878	11.2%
2017	2,709	2,709	—	22,373	12.1%
2018	2,683	2,683	—	24,858	10.8%

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the year ending December 31, 2017 (based on the January 1, 2018 actuarial valuation).

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	Charge and credit amortizations range from 1 to 23 years (Single Equivalent Amortization Period is 12 years)
Asset valuation method	5-year smoothed market
Salary increases, including wage inflation	3.75 to 8.75 percent
Long-term rate of return, net of investment expense, and including inflation	7.75 percent

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

REQUIRED SUPPLEMENTARY INFORMATION Schedules Of Selected Pension Information December 31, 2018

Schedule 2

Schedule Of Changes In The Net Pension Liability

	Years Ended December 31,			
	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 1,508,239	\$ 1,539,973	\$ 1,595,654	\$ 1,469,574
Interest	3,973,168	3,741,788	3,627,117	3,605,427
Benefit provision changes	—	—	—	—
Differences between expected and actual experience	672,001	1,042,069	(301,417)	962,367
Assumption changes	—	—	—	1,975,401
Benefit payments, including member refunds	(3,063,012)	(3,603,463)	(3,285,912)	(3,950,945)
Net Change In Total Pension Liability	3,090,396	2,720,367	1,635,442	4,061,824
Total Pension Liability - Beginning	52,769,614	50,049,247	48,413,805	44,351,981
Total Pension Liability - Ending (a)	55,860,010	52,769,614	50,049,247	48,413,805
Plan Fiduciary Net Position				
Employer contributions	2,709,157	2,672,247	3,080,900	2,683,598
Employee contributions	158,469	127,371	77,736	27,199
Net investment income	5,773,920	2,657,466	(359,276)	2,554,880
Benefit payments, including member refunds	(3,063,012)	(3,603,463)	(3,285,912)	(3,950,945)
Administrative expenses	(170,751)	(278,054)	(261,439)	(267,041)
Other changes	—	—	—	—
Net Change In Plan Fiduciary Net Position	5,407,783	1,575,567	(747,991)	1,047,691
Plan Fiduciary Net Position - Beginning	38,856,366	37,280,799	38,028,790	36,981,099
Plan Fiduciary Net Position - Ending (b)	44,264,149	38,856,366	37,280,799	38,028,790
Net Pension Liability - Ending (a) - (b)	\$ 11,595,861	\$ 13,913,248	\$ 12,768,448	\$ 10,385,015
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	79.24%	73.63%	74.49%	78.55%
Covered payroll	\$ 22,373,092	\$ 23,878,000	\$ 23,044,509	\$ 22,832,055
Employers' Net Pension Liability as a percentage of covered payroll as of the measurement dates of December 31, 2017, 2016, 2015 and 2014	51.83%	58.27%	55.41%	45.48%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

REQUIRED SUPPLEMENTARY INFORMATION Schedule Of Changes In The Total Other Postemployment Liability And Related Ratios December 31, 2018

Schedule 3

<u>Total OPEB Liability</u>	<u>December 31, 2018</u>
Service cost	\$ 479,840
Interest	615,238
Changes in benefit terms	—
Differences between expected and actual experience	—
Changes in assumptions or other inputs	1,010,202
Benefit payments	<u>(496,547)</u>
Net change in total OPEB liability	1,608,733
Total OPEB liability - beginning	<u>16,184,731</u>
Total OPEB liability - ending	<u>\$ 17,793,464</u>
Covered payroll	\$ 13,957,525
Total OPEB liability as a percentage of covered payroll	127.5%

Notes: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Assets are not accumulated in a trust that meets the criteria of paragraph 4 in GASB 75.

Changes Of Benefit Terms Or Assumptions

- 1) The discount rate was changed from 3.86% (January 1, 2017 valuation date) to 3.43% when rolled forward to the measurement date of December 31, 2017.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 1 Of 5 For The Year Ended December 31, 2018

Schedule 4

Property Or Liability Insured	Character Of Insurance	Premium	Amount Of Insurance	Name Of Insurer	Expiration Date																				
Blanket building and contents per schedule of values	COVERAGE I – Property, Inland Marine, Boiler & Machinery All risk of direct physical loss of or damage to the insured property.	\$210,788	\$400,000,000	Continental Casualty Insurance Company 333 S Wabash Ave, Chicago, IL 60604 Policy # RMP2010729912	07/01/19																				
	Note: Policy includes COVERAGE II: Boiler and COVERAGE III: Inland Marine		Loss Limit Real and personal property \$35,000,000 - Business Income \$5,000,000 - Extra Expense \$50,000,000 Limitation Flood and Earthquake Coverage \$500,000 Fine Arts \$3,800 month/\$45,600 Aggregate Equipment Rental Terrorism - Included																						
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Deductible</th> <th style="text-align: left; border-bottom: 1px solid black;">Coverage</th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">\$ 100,000</td> <td>Flood (outside floodplains)/earthquake</td> </tr> <tr> <td style="padding-left: 20px;">\$ 500,000</td> <td>Flood inside floodplains area</td> </tr> <tr> <td style="padding-left: 20px;">\$ 25,000</td> <td>All other losses</td> </tr> <tr> <td style="padding-left: 20px;">\$ 25,000</td> <td>Business Income</td> </tr> <tr> <td style="padding-left: 20px;">\$ 5,000</td> <td>Fine arts coverage</td> </tr> <tr> <td style="padding-left: 20px;">\$ 25,000</td> <td>Acts of Terrorism</td> </tr> </tbody> </table>	Deductible	Coverage	\$ 100,000	Flood (outside floodplains)/earthquake	\$ 500,000	Flood inside floodplains area	\$ 25,000	All other losses	\$ 25,000	Business Income	\$ 5,000	Fine arts coverage	\$ 25,000	Acts of Terrorism										
Deductible	Coverage																								
\$ 100,000	Flood (outside floodplains)/earthquake																								
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\$ 25,000	All other losses																								
\$ 25,000	Business Income																								
\$ 5,000	Fine arts coverage																								
\$ 25,000	Acts of Terrorism																								
Boilers, fired storage water heaters, fired coil water heaters, and electric steam generators per schedule	COVERAGE II – Boiler Losses on property of insured, temporary repairs to property of insured, losses to property of others, defense against claims	See COVERAGE I above	\$200,000,000	Continental Casualty Company 333 S Wabash Ave, Chicago, IL 60604	07/01/19																				
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Deductible</th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">\$25,000</td> </tr> <tr> <td style="padding-left: 20px;">Time Element</td> </tr> <tr> <td style="padding-left: 20px;">1MDV</td> </tr> </tbody> </table>	Deductible	\$25,000	Time Element	1MDV																				
Deductible																									
\$25,000																									
Time Element																									
1MDV																									
Per schedule of equipment	COVERAGE III – Inland Marine Physical loss or damage of EDP, mobile equipment, contractors equipment.	See COVERAGE I above		Continental Casualty Insurance Company 333 S Wabash Ave, Chicago, IL 60604	07/01/19																				
	<table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="padding-left: 20px;">\$25,000</td> <td>All other losses</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">\$25,000</td> <td>Electronic Data Processing</td> <td style="text-align: center;">Included</td> </tr> <tr> <td style="padding-left: 20px;">\$1,000</td> <td>Laptops & Ipads</td> <td style="text-align: center;">\$300,000</td> </tr> <tr> <td style="padding-left: 20px;">\$1,000</td> <td>GPS Equipment</td> <td style="text-align: center;">\$140,000</td> </tr> <tr> <td style="padding-left: 20px;">\$1,000</td> <td>Mobile Equipment</td> <td style="text-align: center;">\$600,000</td> </tr> <tr> <td style="padding-left: 20px;">\$5,000</td> <td>Scheduled Contractors Equipment & Trailers</td> <td style="text-align: center;">\$4,120,279</td> </tr> <tr> <td style="padding-left: 20px;">\$10,000</td> <td>Leased equipment</td> <td style="text-align: center;">\$1,000,000</td> </tr> </tbody> </table>	\$25,000	All other losses		\$25,000	Electronic Data Processing	Included	\$1,000	Laptops & Ipads	\$300,000	\$1,000	GPS Equipment	\$140,000	\$1,000	Mobile Equipment	\$600,000	\$5,000	Scheduled Contractors Equipment & Trailers	\$4,120,279	\$10,000	Leased equipment	\$1,000,000			
\$25,000	All other losses																								
\$25,000	Electronic Data Processing	Included																							
\$1,000	Laptops & Ipads	\$300,000																							
\$1,000	GPS Equipment	\$140,000																							
\$1,000	Mobile Equipment	\$600,000																							
\$5,000	Scheduled Contractors Equipment & Trailers	\$4,120,279																							
\$10,000	Leased equipment	\$1,000,000																							
Bodily injury and property damage	COVERAGE IV- General Liability Management Liability Retroactive Date - 7-1-20114 Deductible - 5,000 per offense	\$163,618	\$1,000,000 per occurrence \$3,000,000 aggregate \$3,000,000 products-completed operations aggregate \$10,000 Medical Expense	TRAVELERS INSURANCE COMPANY 485 Lexington Ave, New York, NY 10017 Policy # ZLP-15T48479-18	07/01/19																				
Based on revenue Includes Wrongful Acts, Employment Practices Liability and Offenses in the Admin. Of Employee Benefit Plans		Included	\$1,000,000 per occurrence \$3,000,000 aggregate																						

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 2 Of 5 For The Year Ended December 31, 2018

Schedule 4 (Continued)

Property Or Liability Insured	Character Of Insurance	Premium	Amount Of Insurance	Name Of Insurer	Expiration Date	
Coverage extends to all District owned, rented, or leased vehicles	COVERAGE V- Comprehensive Auto Liability:	\$122,283		TRAVELERS INSURANCE COMPANY		
	Liability coverage is combined single limit for bodily injury and property: Kansas Statutory Limit		<u>\$1,000,000</u> \$500,000	485 Lexington Ave, New York, NY 10017 Policy # 8102C412861	07/01/19	
	<u>Coverage</u>					
	Bodily injury and property damage NO DEDUCTIBLE ON LIABILITY					
	Comprehensive automobile physical damage to fleet including fire, explosion, theft, windstorm, hail, earthquake, and flood					
	Deductibles apply to each covered vehicle; there is no deductible on fire or lightning loss			Actual cash value		
	<u>Deductible</u>	<u>Coverage</u>				
	\$1,000 each ded. \$1,000 each ded. \$1000 ded comp/\$1,000 coll \$25,000	Comprehensive Collision 50,000 limit on hired car Single Accident all auto PD aggregate				
	Additional named insured on leased vehicles, or used by others under contract					
		COVERAGE VI- Excess Liability - Occurrence	\$23,222	\$5,000,000 Each Occurrence \$5,000,000 General aggregate	TRAVELERS INSURANCE COMPANY 485 Lexington Ave, New York, NY 10017 Policy # ZUP51M63005-18	07/01/19
	Excess over general liability, automobile, employment practices, public officials employers liability					
	<u>Deductible</u>					
	Each occur/loss \$10,000					
Pollution liability	COVERAGE VII - Environmental Impairment Liability (claims made)	\$74,661	\$2,000,000 Per Occur/Aggr	Illinois Union Insurance Co. 303 Erie St. #310, Chicago, IL 60654 Policy # PPL G28137060	07/01/19	
	*Premium includes Addition of the water treatment plant and monofill Retro date 01/01/03 Per occurrence/aggregate	(3 yr policy)				
	<u>Deductible</u>					
	Each loss \$15,000					
Money and securities	COVERAGE VIII - Crime	\$8,759	\$2,000,000 Per Loss Employee Theft	Hartford Fire Insurance Company Hartford, CT 06115 Policy # 37 FA0244006-18	07/01/19	
	Covered perils: Public employee theft, forgery, or alteration, theft, disappearance, destruction, credit card forgery, and computer fraud each with separate policy limit as shown.					
	<u>Deductible</u>					
	\$15,000 per occurrence/ per peril		\$2,000,000 Depositors Forgery or Alteration (including Credit Card Forgery) \$2,000,000 Theft, Disappearance and Destruction \$2,000,000 Computer and Funds Transfer Fraud			

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 3 Of 5 For The Year Ended December 31, 2018

Schedule 4 (Continued)

Property Or Liability Insured	Character Of Insurance	Premium	Amount Of Insurance	Name Of Insurer	Expiration Date
Bodily injury by accident and disease;	COVERAGE IX – Workers' Compensation	\$295,608	Statutory	TRAVELERS INSURANCE COMPANY	07/01/19
	<u>COVERAGE A</u>			485 Lexington Ave, New York, NY 10017 Policy # UB-004J995164	
	Workers' compensation applies to the workers' compensation laws for the State of Kansas. Coverage also included is for employers' liability, which applies to work in each state listed on the declaration page of the policy				
	<u>COVERAGE B</u>				
	Employers liability limits:				
	Bodily injury by accident (each accident)		\$500,000		
	Bodily injury by disease (policy limit)		\$500,000		
	Bodily injury by diseases (each employee)		\$500,000		
	No deductible				
Violation of any of the duties and responsibilities imposed upon fiduciaries by common or statutory laws including negligent acts, errors & omissions in administration	COVERAGE X - Fiduciary Claims-made policy form-that provides coverage for breach of fiduciary duty <u style="text-align: center;">Retention</u> \$25,000 each claim	\$14,099	\$3,000,000	RLI Insurance Company 9025 North Lindbergh Drive, Peoria, IL 61615 Policy # EPG0021158	07/01/19
	COVERAGE XI - Cyber	\$17,533		ACE American Insurance Company P.O. Box 1000 Philadelphia, PA 19106 Policy # EON G25560887 004	07/01/19
	Liability Limit		\$1,000,000		
	Policy Aggregate		\$1,000,000		
	<u style="text-align: center;">Deductible</u> \$25,000 each claim				

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 4 Of 5 For The Year Ended December 31, 2018

Schedule 4 (Continued)

Property Or Liability Insured	Character Of Insurance	Premium	Amount Of Insurance	Name Of Insurer	Expiration Date
Statutory Public Officials Bond for General Manager	Public Official Bond: General Manager (Michael J. Armstrong)	\$1,750	\$500,000	Hartford Fire Insurance Company, as surety for Hartford, Connecticut 37BSBAF3543	1/1/2019
Director of Finance	Director of Finance - Darin Kamradt	\$1,575	\$500,000	Liberty Mutual Ins. Co. #674027043	2/1/2019
		\$381		Liberty Mutual Ins. Co.#674207329	4/30/2022
Board Member	Kay Heley	\$355	\$10,000	Liberty Mutual Fire Ins. Co. #674025609	2/2/2020
Board Member	Mark Parkins	\$355	\$10,000	Liberty Mutual Fire Ins. Co. #674011379	4/30/2021
Board Member	Brenda Cherpitel	\$325	\$10,000	Liberty Mutual Fire Ins. Co. #674011377	4/30/2019
Board Member	Robert Olson	\$325	\$10,000	Liberty Mutual Fire Ins. Co. #674011375	4/30/2019
Board Member	Terrence Frederick	\$355	\$10,000	Liberty Mutual Ins. Co. #32S110342	4/30/2021
Board Member	Robert Reese	\$355	\$10,000	Liberty Mutual Fire Ins. Co. #674024726	4/30/2019
Board Member	Dennis Wilson	\$355	\$10,000	Liberty Mutual Fire Ins. Co. #674024726	4/30/2019
Performance Bond	City of Leawood	\$125	\$5,000	Safeco Ins. Co. #5983959	2/8/2019
Right of Way Excavation Bond	City of Lenexa	\$100	\$10,000	Liberty Mutual Fire Ins. Co. #674010642	3/1/2019
Performance Bond	City of Mission Woods	\$100	\$10,000	Liberty Mutual Ins. Co. #674011858	5/7/2019
License & Permit Bond	City of Merriam	\$250	\$2,000	Liberty Mutual Ins. Co. #E7835050	7/5/2020
License & Permit Bond	City of Mission Hills	\$250	\$5,000	Liberty Mutual Ins. Co. #E7899810	8/15/2020
License & Permit Bond	City of Olathe	\$250	\$1,000	Liberty Mutual Ins. Co. #674019454	3/9/2021
License & Permit Bond	City of Roeland Park	\$250	\$1,000	Liberty Mutual Ins. Co. #E7835060	7/5/2020
License & Permit Bond	City of Shawnee	\$250	\$5,000	Safeco Ins. Co. #EX790410	11/8/2020
License & Permit Bond	City of Westwood	\$250	\$10,000	Safeco Ins. Co. #EX803026	3/12/2021
License & Permit Bond	Johnson County	\$250	\$5,000	Liberty Mutual Ins. Co. #E731273-0000	5/1/2020
License & Permit Bond	Miami County	\$250	\$50,000	Liberty Mutual Ins. Co. #674014712	1/9/2019
License & Permit Bond	State of Kansas	\$250	\$10,000	American States #EX7822710	5/29/2020
KDHE#29089 001,002,003-7601 Holiday Dr. Kansas City, KS	COVERAGE XII - Underground Storage Tank Liability Bodily injury and property damage caused by "accidental releases" arising from operating these underground storage tanks. Meets statutory compliance. <i>Deductible</i> \$2,500 per incident Retro date: 06/10/1991	\$357	\$500,000 per incident \$1,000,000 annual aggregate \$100,000 defense-per incident	Great American Alliance Ins. Co. 301 East Fourth Street, Cincinnati, OH 45202 Policy # KST7731871-27	7/1/2019

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

**ADDITIONAL SUPPLEMENTARY INFORMATION
Insurance Coverage (Unaudited) Page 5 Of 5
For The Year Ended December 31, 2018**

Schedule 4 (Continued)

Property Or Liability Insured	Character Of Insurance	Premium	Amount Of Insurance	Name Of Insurer	Expiration Date
Bond	Notary Public Errors and Omissions Group Policy \$25,000 Each Person Limit	\$260 10 Notaries - Total Limit	\$25,000	Western Surety Co. 101 South Reid Street, Sioux Falls, SD 57103 68809375	01/04/19
	<i>Deductible</i>				
	\$0				
Boat Hull Policy	COVERAGE XIII - Marine Hull Policy Hull Coverage Deductible \$500	\$550	\$15,000	OneBeacon Insurance Group 605 Highway 169 North, Suite 800, Plymouth, MN 55441 Policy # B5JH61090	7/15/2019
Aviation (Drone) Policy	COVERAGE XIV - Drone Policy Aviation Deductible N/A	\$597	\$1,000,000 each occurrence	American Alternative Insurance Corp. One Sylvan Way, Parsippany, NJ 07054 Policy # 9010462	7/1/2019
Workplace Violence Policy	COVERAGE XV - Workplace Violence Policy Violence Coverage Deductible N/A	\$1,150	\$1,000,000	Federal Insurance Company 251 North Illinois, Suite 1100, Indianapolis, IN 46204-1927 Policy # 8250-0085	7/1/2019

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION Fidelity Bonds In Force (Unaudited) For The Year Ended December 31, 2018

Schedule 5

Water District No. 1 Of Johnson County, Kansas

Fidelity Bonds In Force (Unaudited)

Water District Board Members:

Robert P. Reese - Chairman	\$ 10,000
Mark Parkins - Vice Chairman	10,000
Brenda Cherpitel - Member	10,000
Terrence D. Frederick - Member	10,000
Kay E. Heley - Member	10,000
Robert S. Olson - Member	10,000
Dennis Wilson - Member	10,000
Michael J. Armstrong - General Manager	500,000
Darin L. Kamradt - Director of Finance	500,000
Public Employees' Blanket Bond	2,000,000

All employees are included under the blanket crime section of the comprehensive business policy listed herein.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION

Operating Data (Unaudited) Page 1 Of 2 For The Years Ended 2018 And 2017

Schedule 6

Customers Served by WaterOne: During 2018, WaterOne served a weighted average of 147,225 customers, as compared to 145,832 customers during 2017; this is an increase of 1,393 customers in 2018, as compared to an increase of 1,289 customers in 2017.

Water Sales and Water Delivered Summary: Water sales by class of customer for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Residential:		
Single family	\$ 73,035,020	\$ 66,650,753
Multifamily	10,755,697	10,362,013
Commercial:		
Small	6,401,562	5,748,026
Large	24,971,386	22,600,137
Temporary	468,081	476,828
Wholesale	—	—
Total water sales	\$ 115,631,746	\$ 105,837,757

During the year ended December 31, 2018, water sales and water delivered to the distribution lines, in terms of thousands of gallons, as compared to 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Delivered to distribution system		
Water produced	22,349,804	20,672,284
Water sales		
Metered water	19,788,669	18,037,899
Unmetered water	2,561,135	2,634,385
Unmetered water as percentage of total water delivered	11.46%	12.74%

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION

Operating Data (Unaudited) Page 2 Of 2
Years Ended 2018 And 2017

Schedule 6 (Continued)

The weighted average number of customers served, the average annual revenue, and usage per customer were as follows:

	<u>2018</u>	<u>2017</u>
Residential - single family:		
Average number of customers	133,944	132,730
Average gallons per customer	88,164	80,301
Average revenue per customer	\$ 545	\$ 502
Residential - multifamily:		
Average number of customers	4,805	4,692
Average gallons per customer	424,923	419,790
Average revenue per customer	\$ 2,238	\$ 2,208
Commercial - small:		
Average number of customers	4,972	4,962
Average gallons per customer	217,051	193,728
Average revenue per customer	\$ 1,288	\$ 1,158
Commercial - large:		
Average number of customers	3,261	3,209
Average gallons per customer	1,476,611	1,372,159
Average revenue per customer	\$ 7,658	\$ 7,043
Commercial - temporary:		
Average number of customers	243	239
Average gallons per customer	178,762	189,589
Average revenue per customer	\$ 1,926	\$ 1,995
Wholesale:		
Number of customers	—	—
Thousand gallons per class	—	—
Revenue per class	\$ —	\$ —

Appendix C

Unaudited Financial Statements of the Water
District as of and for the 7 months ending
July 31, 2019

Water District No. 1 of Johnson County, Kansas

Statement of Net Position - Unaudited
July 31, 2019 and 2018

	Assets	
	July 31,	
	2019	2018
Current Assets		
Cash and short-term investments:		
Water system general fund	\$ 111,712,260	\$ 100,417,368
System development account	6,125,246	19,360,905
Accounts receivable and accrued water sales	15,896,358	20,190,147
Interest receivable	636,369	512,651
Materials and supplies	4,797,496	4,651,283
Contractor extension receivables	1,439,624	1,772,287
Prepayments and deposits	892,700	1,775,640
Total Current Assets	141,500,053	148,680,281
Noncurrent Assets		
Capital assets, net of accumulated depreciation:		
Nondepreciable capital assets:		
Land	31,719,435	31,732,398
Construction in progress	136,054,264	86,741,410
Total nondepreciable capital assets	167,773,699	118,473,808
Depreciable capital assets:		
Intake, purification, and pumping system	218,948,097	224,237,719
Transmission and distribution system	668,387,334	670,530,136
Building, improvements, furniture, and equipment	30,775,305	29,030,825
Total depreciable capital assets, net of accumulated depreciation	918,110,736	923,798,680
Net Capital Assets	1,085,884,435	1,042,272,488
Restricted Cash And Investments		
Special funds created by bond resolutions:		
Principal and interest	2,619,799	2,448,501
Construction fund	—	14,367,019
Bond reserve fund	14,326,676	14,326,676
Water system general fund	19,834,037	19,296,234
Total Special Funds Created By Bond Resolutions	36,780,512	50,438,430
Total Noncurrent Assets	1,122,664,947	1,092,710,918
Total Assets	1,264,165,000	1,241,391,199
Deferred Outflows of Resources		
Pensions	9,831,429	8,647,434
Other post employment benefits	1,124,456	-
Total Assets and Deferred Outflows of Resources	\$1,275,120,885	\$1,250,038,633

Water District No. 1 of Johnson County, Kansas

Statement of Net Position - Unaudited
July 31, 2019 and 2018

Liabilities And Net Position

	July 31,	
	2019	2018
Current Liabilities		
Accounts payable	\$ 6,155,142	\$ 3,641,000
Customer advances for system development charges	2,282,665	3,304,575
Retainages on construction contracts	2,633,103	2,107,723
Current maturities of revenue bonds payable	11,400,000	11,160,000
Accrued interest on revenue bonds payable	783,159	824,039
Compensated employee absences	1,678,434	1,502,578
Other current liabilities	3,253,788	3,942,513
Total Current Liabilities	28,186,291	26,482,428
Noncurrent And Other Liabilities		
Revenue bonds payable	236,640,000	248,040,000
Premium on revenue bonds payable	11,698,043	12,526,359
Customer advances for construction	5,784,773	6,446,443
Net pension liability	11,595,861	13,913,248
Other post-employment	17,793,464	9,879,148
Other	35,949	35,079
Total Noncurrent Liabilities	283,548,090	290,840,277
Total Liabilities	311,734,381	317,322,705
Deferred inflows of resources - Refunding of debt	1,527,442	1,619,595
Total Liabilities and Deferred Inflows of Resources	313,261,823	318,942,300
Net Position		
Net investment in capital assets	853,396,685	789,271,288
Restricted by bond resolution	30,019,618	29,269,637
Unrestricted	78,442,759	112,555,408
Total Net Position	961,859,062	931,096,333
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,275,120,885	\$ 1,250,038,633

Water District No. 1 of Johnson County, Kansas

Statements of Revenues, Expenses, and Changes in Net Position - Unaudited
 Years Through July 31, 2019 and 2018

	For The Years Through July 31,	
	2019	2018
Operating Revenues		
Water sales	\$ 52,402,410	\$ 62,038,291
Other operating revenues	738,616	745,548
Total Operating Revenues	53,141,026	62,783,839
Operating Expenses		
Water source, treatment, and pumping	15,108,319	15,892,459
Transmission and distribution	5,178,050	6,258,217
Customer service	2,760,130	2,525,037
Administrative and general	6,237,803	5,995,954
Depreciation of utility plant	16,606,442	15,373,520
Total Operating Expenses	45,890,744	46,045,187
Operating Income	7,250,282	16,738,652
Nonoperating Revenues (Expenses)		
Investment income	2,707,077	1,285,283
Miscellaneous, net	185,279	105,214
Bond interest expense	(5,113,921)	(5,616,098)
Amortization - refunded bonds	53,756	163,694
Amortization - premium on debt	—	44,175
Gain on disposal of capital assets	117,799	80,183
Net Nonoperating Revenues (Expenses)	(2,050,010)	(3,937,549)
Income Before Capital Contributions	5,200,272	12,801,103
Capital Contributions	8,498,554	9,470,509
Change In Net Position	13,698,826	22,271,612
Net Position - Beginning Of Year	948,160,236	908,824,721
Net Position - As of July 31	\$ 961,859,062	\$ 931,096,333

APPENDIX D

FORM OF BOND COUNSEL OPINION

[FORM OF BOND COUNSEL OPINION]

GILMORE & BELL, P.C.
Attorneys at Law
2405 Grand Boulevard
Suite 1100
Kansas City, Missouri 64108-2521

[December 10, 2019]

Governing Body
Water District No. 1 of Johnson County, Kansas

_____, _____

Re: \$[PRINCIPAL AMOUNT] Water Revenue Refunding Bonds, Series 2019, of
Water District No. 1 of Johnson County, Kansas, Dated December 10, 2019

We have acted as Bond Counsel in connection with the issuance by Water District No. 1 of Johnson County, Kansas (the “Water District”), of the above-captioned bonds (the “Bonds”). In this capacity, we have examined the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion.

The Bonds have been authorized pursuant to a Resolution adopted by the governing body of the Water District (the “Bond Resolution”). Capitalized terms used and not otherwise defined in this opinion shall have the meanings assigned to those terms in the Bond Resolution.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify them by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Water District is a quasi-municipal body corporate with power to adopt the Bond Resolution, perform the agreements on its part contained therein, and issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the Water District and are valid and legally binding special obligations of the Water District.
3. The Bonds are payable solely from the Pledged Revenues derived by the Water District

from the operation of the Water System. The Bonds do not constitute general obligations of the Water District and do not constitute an indebtedness of the Water District within the meaning of any constitutional or statutory provision, limitation or restriction.

4. The Bond Resolution has been duly adopted by the Water District and constitutes a valid and legally binding obligation of the Water District enforceable against the Water District. The Bond Resolution creates a valid lien on the Pledged Revenues and other funds pledged by the Bond Resolution for the security of the Bonds on a parity with any Parity Bonds issued or to be issued, as provided in the Bond Resolution.

5. The interest on the Bonds (including any original issue discount properly allocable to an owner of a Bond) 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 opinions set forth in this paragraph are subject to the condition that the Water District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. Failure to comply with certain of these requirements may cause interest on the 2019 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have **not** been designated as "qualified tax-exempt obligations" for purposes of Code § 265(b)(3). We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from income taxation by the State of Kansas.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding the perfection or priority of the lien on the Pledged Revenues or other funds pledged under the Bond Resolution or tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

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

GILMORE & BELL, P.C.

CONTINUING DISCLOSURE UNDERTAKING

Dated as of December 10, 2019

By

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

**\$(PRINCIPAL AMOUNT)
Water Revenue Refunding Bonds
Series 2019**

CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of December 10, 2019 (this “**Continuing Disclosure Undertaking**”), is executed and delivered by **Water District No. 1 of Johnson County, Kansas** (the “**Water District**”).

RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered by the Water District in connection with the issuance by the Water District of **[\$[PRINCIPAL AMOUNT] Water Revenue Refunding Bonds, Series 2019** (the “**2019 Bonds**”), pursuant to a Resolution adopted by the governing body of the Water District (the “**2019 Bond Resolution**”).

2. The Water District is entering into this Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the 2019 Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “**Rule**”). The Water District is the only “**obligated person**” with responsibility for continuing disclosure hereunder.

In consideration of the mutual covenants and agreements herein, the Water District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the 2019 Bond Resolution, which apply to any capitalized term used in this Continuing Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report provided by the Water District pursuant to, and as described in, **Section 2** of this Continuing Disclosure Undertaking.

“**Beneficial Owner**” means any registered owner of any 2019 Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2019 Bonds (including persons holding 2019 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2019 Bonds for federal income tax purposes.

“**Dissemination Agent**” means any entity designated in writing by the Water District to serve as dissemination agent pursuant to this Continuing Disclosure Undertaking and which has filed with the Water District a written acceptance of such designation.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

“**Financial Obligation**” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; *provided however*, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“**Material Events**” means any of the events listed in **Section 3** of this Continuing Disclosure

Undertaking.

“**MSRB**” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

“**Participating Underwriter**” means any of the original underwriter of the 2019 Bonds required to comply with the Rule in connection with offering of the 2019 Bonds.

“**Rule**” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“**Water System**” means the entire water supply plant and system owned and operated by the Water District for the production, storage, treatment and distribution of water, to serve the needs of the Water District and its inhabitants and others, including all appurtenances and facilities connected therewith or relating thereto, together with all extensions, improvements, additions and enlargements thereto hereafter made or acquired by the Water District.

Section 2. Provision of Annual Reports.

- (a) The Water District shall not later than **180** days after the end of the Water District’s fiscal year, commencing with the year ending December 31, 2019, file with the MSRB, through EMMA, the following financial information and operating data (the “**Annual Report**”):
- (1) The audited financial statements of the Water District for the prior fiscal year, prepared in accordance with accounting principles generally accepted in the United States. If audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the summary unaudited financial information contained in the final Official Statement relating to the 2019 Bonds, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available.
 - (2) Updates as of the end of the fiscal year of certain financial information and operating data contained in the final Official Statement, as described in **Exhibit A**, in substantially the same format contained in the final Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Water District is an “**obligated person**” (as defined by the Rule), which have been provided to the MSRB and are available through EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The Water District shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audited financial statements of the Water District may be submitted separately from the balance of the Annual Report and later than the date

required above for the filing of the Annual Report if they are not available by that date. If the Water District's fiscal year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3**.

- (b) In addition to the foregoing requirements of this Section, the Water District agrees to provide copies of the most recent Annual Report to any requesting Beneficial Owner or prospective Beneficial Owner, but only after the same has been provided to the MSRB.
- (c) The Annual Report shall be filed with the MSRB in such manner and format as is prescribed by the MSRB.

Section 3. Reporting of Material Events. Not later than **10** business days after the occurrence of any of the following events, the Water District shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the 2019 Bonds ("**Material Events**"):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2019 Bonds, or other material events affecting the tax status of the 2019 Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the 2019 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Water District;
- (13) the consummation of a merger, consolidation, or acquisition involving the Water District or the sale of all or substantially all of the assets of the Water District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of the Water District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Water District, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Water District, any of which reflect financial difficulties.

If the Water District has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the Water District shall send a notice to the MSRB of the failure of the Water District to file

on a timely basis the Annual Report, which notice shall be given by the Water District in accordance with this **Section 3**.

Section 4. Termination of Reporting Obligation. The Water District's obligations under this Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2019 Bonds. If the Water District's obligations under this Continuing Disclosure Undertaking are assumed in full by some other entity, such person shall be responsible for compliance with this Continuing Disclosure Undertaking in the same manner as if it were the Water District, and the Water District shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the 2019 Bonds, the Water District shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3**.

Section 5. Dissemination Agents. The Water District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as dissemination agent hereunder at any time upon **30** days prior written notice to the Water District. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the Water District pursuant to this Continuing Disclosure Undertaking.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Undertaking, the Water District may amend this Continuing Disclosure Undertaking and any provision of this Continuing Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the Water District with its written opinion that the undertaking of the Water District contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Continuing Disclosure Undertaking.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Undertaking, the Water District shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Water District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under **Section 3**, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in this Continuing Disclosure Undertaking shall be deemed to prevent the Water District from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Continuing Disclosure Undertaking. If the Water District chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Continuing Disclosure Undertaking, the Water District shall have no obligation under this Continuing Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. If the Water District fails to comply with any provision of this Continuing Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the 2019 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Water District to comply with its obligations under this Continuing Disclosure Undertaking. A default under this Continuing Disclosure Undertaking shall not be deemed an event of default under the 2019 Bond Resolution or the 2019 Bonds, and the sole remedy under this Continuing Disclosure Undertaking in the event of any failure of the Water District to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

Section 9. Beneficiaries. This Continuing Disclosure Undertaking shall inure solely to the benefit of the Water District, the Participating Underwriter, and Beneficial Owners from time to time of the 2019 Bonds, and shall create no rights in any other person or entity.

Section 10. Severability. If any provision in this Continuing Disclosure Undertaking, the 2019 Bond Resolution or the 2019 Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11. Electronic Transactions. The arrangement described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12. Governing Law. This Continuing Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of Kansas.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the Water District has caused this Continuing Disclosure Undertaking to be executed as of the day and year first above written.

**WATER DISTRICT NO. 1 OF JOHNSON
COUNTY, KANSAS**

By: _____
Title: Director of Finance

EXHIBIT A

FINANCIAL INFORMATION AND OPERATING DATA TO BE INCLUDED IN ANNUAL REPORT

The following sections and tables contained in the final Official Statement:

Water System Debt Service Coverage History – History of Income, Expenses and Debt Service Coverage for current fiscal year

Water Usage – Historical Water Usage for current fiscal year

Customer Information

- Weighted Average Customers by Class
- Retail Customers – Major Retail Customers
- Wholesale Customers

System Rates and Charges