

By-Laws
Of
Rural Water District # 2
Miami County, Kansas

**ARTICLE 1
Name and Place of Business**

Section 1. The name of this corporation shall be Rural Water District No. 2, Miami County, Kansas.

Section 2. The principal office of this District shall be located at 25290 Harmony Road, Hillsdale, Kansas 66036

**ARTICLE 2
Corporate Powers**

Section 1. The corporate powers of this District shall be vested in the Board of Directors, hereinafter referred to as the Board.

**ARTICLE 3
Purpose and Objectives**

The purposes and objectives of this District are as follows:

- a) To acquire water and water rights and to build and acquire pipe lines and other facilities, and to operate the same for the purpose of furnishing water for domestic, garden, livestock and other purposes to owners and occupants of land located within the District, and others as authorized by these Bylaws.
- b) To borrow money from any Federal or State agency, or from any other source, and to secure said loans by mortgaging or pledging all of the physical assets and revenue and income of the District, including easements and rights-of-way.
- c) To hold such real and personal property as may come into its possession by will, gift, purchase, or otherwise, as authorized by law, and to acquire and dispose of such real and personal property, including rights-of-way and easements, wherever located, as may be necessary and convenient for the proper conduct and operation of the business of the District.
- d) To establish rates and impose charges for water furnished to participating members and others.
- e) To enter into contracts for the purpose of accomplishing the purposes of the District with any person or governmental agency.
- f) To cooperate with any person or with any governmental agency in any undertaking designed to further the purposes of the District.
- g) To do and perform any and all acts necessary or desirable for the accomplishment of the purposes of the District which may lawfully be done by such District under the laws of the State of Kansas.

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ARTICLE 4 Definitions

Participating member: Owners of land located within the District who have subscribed to one or more Benefit Units.

Owners of land: One or more persons in whom title to real estate is vested, to include a person or persons owning an equitable interest in real estate by virtue of an installment purchase contract or contract for deed

ARTICLE 5 Water Users

Section 1. Water shall be supplied only to land located within the District: Provided, however, that the Board may make water available to the public for purchase at such distribution points as it may establish.

Section 2. No owner of land located within the District shall be eligible to become a water subscriber unless he has first subscribed and paid for one or more Benefit Units.

Section 3. An applicant for a Benefit Unit shall complete the application form provided by the District, and shall sign the Benefit Unit Subscription Application provided by the District at the time of application.

ARTICLE 6 Right to Vote

Section 1. Only participating members shall have the right to vote, and each participating member shall be entitled to a single vote, regardless of the number of Benefit Units to which the member may have subscribed. There shall be no proxy voting. A participating member may be an individual, firm, partnership, association, or corporation. A firm, partnership, association, or corporation may vote by designating one of its members to vote on its behalf. Provided, no participating member shall vote unless the payment of charges are current on at least one of the Benefit Units.

ARTICLE 7 Benefit Units

Section 1. The Board shall establish a fee for Benefit Units. Each Benefit Unit shall carry with it the obligation of paying a minimum monthly meter charge from the time service can be established as determined by the Board. Additional Benefit Units shall be available only as capacity of the District's facilities permit, as determined by the Board. Subscriptions for Benefit Units shall be given preference and priority in order in which received by the Board. The Board may refuse the subscription for a Benefit Unit in favor

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of a particular tract of land located within the District, or impose special conditions on granting the same if in the judgment of the Board, the granting of said subscription and furnishing of water pursuant thereto, would impair the service to other water users in that locality or be uneconomical, unfeasible or place an undue burden on the District.

Section 2. Upon the purchase of Benefit Units, the owner(s) of land shall designate the tract of land to which the Benefit Units shall be assigned, and the Benefit Unit shall not be transferred from one tract of land to another within the District, without the approval of the Board. The owner(s) of lands subscribing for more than one Benefit Unit to be assigned to one tract of land shall at the time of said subscription designate as nearly as practical the location on said tract where he intends to utilize said Benefit Units and no major change in location shall be made without the approval of the Board.

Section 3. The consideration paid for Benefit Units shall be considered donations to the District and shall in no event and under no circumstances be refunded to the subscriber.

Section 4. Benefit Units shall follow the title of land unless the owner of the land designates otherwise. Owners may transfer Benefit Units from one tract of land to another tract owned by them within the District, subject however to the approval of the Board. No transfer in ownership of Benefit Units shall be permitted without the approval of the Board. No transfer will be approved unless all charges against the Benefit Unit are paid. All transfers when approved shall be recorded in the books of the District. In the event the ownership of the land has changed and no request for transfer was initiated by the Benefit Unit owner, then the District shall consider the transfer of the Benefit Unit to the new owner upon presentation of a recorded copy of the Kansas Warranty Deed or a fully executed copy of an installment purchase contract or contract for deed which will serve as proof of ownership of the land. The District shall have the right, at its sole discretion, to require additional proof to document the current ownership of land involving Benefit Units.

Section 5. Each Benefit Unit shall entitle the owner to one service line from the District's water system. Each service line shall serve no more than one residence or business establishment together with the necessary and usual out buildings.

Section 6. Failure to timely pay any charges or fees owed to the District, or willful violation of any of these Bylaws or the Rules and Regulations of the District, shall be cause for termination of water service. Before terminating water service for any reason, the following person or persons shall be notified by regular mail postage prepaid:

- a) The water subscriber, and
- b) The benefit unit holder, if different from the water subscriber.

Delinquency: Notice of proposed termination of water service shall be as follows in cases where the subscriber's account is delinquent:

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- c) The District shall indicate on the disconnection notice the date of notice, amount of the delinquency, and the date of disconnection.
- d) Any account with a delinquency shall have printed on the disconnection notice the following:

“NOTICE: YOUR ACCOUNT IS DELINQUENT. UNLESS THE DISTRICT RECEIVES THE FULL AMOUNT STATED AS DELINQUENT WITHIN TEN (10) DAYS OF THE DATE OF THIS NOTICE, WATER SERVICE WILL BE TERMINATED.”

- e) Any subscriber or benefit unit holder receiving a disconnection notice as set forth in paragraphs (c) and (d) above shall also receive the following information: “Any subscriber or benefit unit holder, if different from the water subscriber, who disputes a delinquency should deliver a written request for a hearing to the District Office, attention District Manager, before the date of disconnection specified in the disconnection notice.”
- f) The District shall not be required to send notice of delinquency or termination by certified mail, so long as the District Office shall note in the statement of account the date the notice of delinquency was mailed and the names and addresses of those to whom said notices were mailed, postage prepaid.
- g) The District Manager shall schedule and conduct an informal hearing within ten (10) days of the date of the receipt of a subscriber’s request for a hearing to dispute a delinquency and proposed termination of water service. After the introduction of the account records and payment history, the subscriber or benefit unit holder shall have the burden of proof to establish an error in the amount of the delinquency or the proposed termination. The District Manager shall render his/her decision regarding the delinquency at the conclusion of the hearing and note the same on the statement of account.
- h) Upon the request of any subscriber or benefit unit holder who indicates a desire to request a review of a delinquency and proposed termination of water service, the District Manager at the time of rendering his/her decision regarding the delinquency and proposed termination, shall provide a copy of the procedures set forth in these bylaws for requesting a review of the District Manager’s decision.
- i) If a subscriber or benefit unit holder disputes the decision of the District Manager at the hearing provided for in paragraph (g) above, a subscriber or benefit unit holder may request a hearing before the Board for the purpose of reviewing the decision of the District Manager by delivering a written request for review to the District Office within five (5) days of the date of the hearing before the District Manager. The review hearing before the Board shall be held at the next regularly scheduled monthly meeting of the Board. No special notice of hearing shall be given. Those requesting review hearings are expected to appear in person at the next regularly scheduled monthly Board meeting. Failure to appear in person shall result in the dismissal of the request for review. Subscribers or benefit unit holders are entitled to be represented by an attorney at the review hearing. Review hearings will be added to the published agenda of any regularly

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scheduled meeting of the Board without notice. No requests for review shall be accepted by the District Office or the Board after the expiration of five (5) days following the decision of the District Manager. In order to receive a review hearing before the Board, these review procedures must be strictly followed. The subscriber or benefit unit holder has the burden of proving that the decision of the District Manager regarding the delinquency and proposed termination of water service is clearly erroneous. The Chairperson of the Board may, in exceptional circumstances, such as a medical emergency, grant one continuance of the hearing to the next regularly scheduled monthly meeting of the Board or excuse a subscriber or benefit unit holder from personal appearance at the hearing. The Board shall render its decision orally at the hearing and the said decision shall be recorded in the minutes of the meeting. All decisions shall be made by a majority vote of the members in attendance at the meeting wherein the review hearing is conducted. Decisions rendered in this manner are final and not subject to further review by either the District Manager or the Board.

Reconnection Fees: Prior to reconnecting a water service disconnected pursuant to this Rule, the customer shall pay the entire balance due and owing to the District at the time of reconnection together with a reconnection charge as determined by the Board.

Willful Violations: The following notice shall be mailed, postage prepaid, to the water subscriber and to the benefit unit owner, if different from the water subscriber in cases where the Board has determined that a willful violation of the rules and regulations of the District has occurred:

- a) **NOTICE OF PROPOSED TERMINATION OF WATER SERVICE.** The notice shall be dated the day it is mailed and shall contain a statement that the Board has determined that a willful violation of District rules and regulations has occurred. The notice shall state and specifically describe the nature of the violation.
- b) The following statement shall be included in all such notices of proposed termination of water service: "If you dispute the Board's determination, you have a right to request a hearing before the Board of Directors within ten (10) days of the date of this notice. Such request must be in writing and be received by the District Office before the expiration of the ten (10) day deadline. If no request for hearing is received by the deadline, the District Office shall terminate water services." In the event a request for hearing before the Board is received before the deadline, the District Office will schedule your hearing for the next regularly scheduled monthly Board meeting. You will not receive a special notice of your hearing date. If you will be submitting documents or exhibits at the hearing, you are required to bring sufficient copies of the same for the entire Board. Any party requesting a review hearing shall have the burden of proof and may present evidence for the purpose of establishing that water service should not be terminated. You are required to appear in person at the hearing. You have the right to be represented by an attorney. However, failure to appear at the hearing in person shall result in the dismissal of the request for review. The Chairperson

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of the Board may in exceptional circumstances, such as a medical emergency, grant a continuance of the hearing to the next regularly scheduled monthly meeting of the Board or excuse a subscriber or benefit unit holder from personal appearance.

- c) All notices pursuant to proposed terminations for willful violations shall be mailed postage prepaid to both the subscriber and the benefit unit holder if different from the subscriber. Either party may request a review hearing.
- d) The decision of the Board regarding a subscribers' or benefit unit holders' request for review shall be made by a majority vote of the Board Members in attendance at the hearing. The vote shall be recorded in the minutes of the meeting. The District Manager shall issue a written summary of the Board's determinations regarding its review of the willful violations and mail, postage prepaid, a copy of the same to any party appearing at the review hearing and so note in the records of the District. All decisions of the Board rendered at the review hearing are final upon the mailing of the written summary of the Board's determinations by the District Manager.
- e) Purpose and Policy: It is the purpose of the bylaws to establish an expeditious and efficient method of reviewing proposed terminations of water service. Prompt payment of water service accounts is required in order to insure the financial stability of the District and continued service to District patrons in the future. The procedures established are designed to prevent clerical, factual or computer errors. The review hearings shall not be used to review special hardship matters or reasons for non-payment.

Section 7. A Benefit Unit shall be subject to forfeiture any time that any minimum monthly charge or charge for metered water remains unpaid for six months or longer after becoming first due and payable. Forfeiture shall occur only in accordance with the following procedure: Notice shall be given to the Benefit Unit owner at the owner's last known address by restricted mail, return receipt requested. Such notice shall state that the Benefit Unit is subject to forfeiture, the reason therefore, the date, time and place of the next regular meeting of the Board, and that the unit shall be subject to forfeiture by action of the Board at its next regular meeting unless the Benefit Unit owner appears and shows cause why the Benefit Unit should not be forfeited. If the Benefit Unit is not forfeited at that meeting, the same notice shall be given again before that Benefit Unit is forfeited.

ARTICLE 8 Election of Directors

Section 1. The Board of this District shall consist of nine members, all of whom shall be participating members of the District. The participating members shall elect for a term of three years the number of Directors whose terms of office have expired. The purpose of this provision is to assure that at no time will more than one-third of the director positions have expired regular terms and be subject to election at an annual meeting.

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Section 2. Immediately following the annual meeting of the participating members, the Board shall meet and shall elect a Chairman, Vice-Chairman, Secretary and Treasurer, from among themselves, each of whom shall hold office until the next annual meeting and until the election and qualification of his successor unless sooner removed by death, resignation or for cause. The office of the secretary and treasurer may be held by one person.

Section 3. Any vacancy in the Board, other than from the expiration of a term of office, shall be filled by appointment by the remaining members of the Board. The disqualification of a Director as a participating member of the District shall operate to disqualify him or her as a Director and to create a vacancy in the office of the Director.

Section 4. A majority of the Board shall constitute a quorum at any meeting of the Board.

Section 5. Any Director of the District may be removed from office for cause by a vote of not less than 3/4ths of the participating members of the District present at any annual or special meeting called for that purpose. The Director shall be informed in writing of the charges preferred against him at least 10 days before such meeting, whether regular or special, and at the meeting shall have an opportunity to present witnesses and be heard in person in answer thereto. Officers of the Board may be removed for cause by majority vote of the Board.

Section 6. Nominations for the expired regular terms of any director standing for election at an annual meeting (or special meeting called for the purpose of electing directors) shall be made as follows:

- a) The Board of Directors shall nominate one nominee for each vacancy on the Board of Director standing for election; in addition
- b) Any participating member may submit one nomination for each vacancy on the Board of Directors standing for election. Such nominations shall be received in the office of the District on November 15 on a form proscribed by the Board of Directors, together with the signature of the nominator; in addition
- c) No other nominations shall be allowed at any meeting called for the purpose of electing directors, except those made pursuant to (a) or (b) above.

Section 7. After the receipt of all nominations which have been timely submitted, the nominees of the Board of Directors and up to a maximum of three nominees who shall have received the most nominations from participating members shall constitute all of the nominees for election of director.

Section 8. Participating members shall be entitled to vote on any issue submitted for consideration, including the election of directors, at any annual or special meeting through mail-in balloting. The Board of Directors shall establish such policies and

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procedure from time to time to assure the integrity, validity, secrecy, timely tabulation and availability of a mail-in balloting process for use by participating members.

ARTICLE 9 Powers and Duties of Directors

Section 1. The Board, subject to the restrictions of law and these Bylaws, shall exercise all the powers of the District and without prejudice to or limitation upon their general powers, it is hereby expressly provided that the Board shall have, and is given hereby, full power and authority in respect to the matters as hereinafter set out:

- a) To select and appoint all agents and employees of the District or remove such agents and employees of the District for just cause, prescribe such duties and designate such powers as may not be inconsistent with these Bylaws, and fix their compensation and pay for faithful services.
- b) To borrow from any source, money, goods, or services and to make and issue notes and other negotiable and transferable instruments, mortgages, deeds of trust and trust agreements, and to do every act and thing to effectuate the same.
- c) To prescribe, adopt and amend, from time to time, such equitable and uniform rules and regulations, as in their discretion, may be deemed essential or convenient for the conduct of the business and affairs of the District, and the guidance and control of its agents and employees.
- d) To fix charges to be paid by each water user for services rendered by the District to the member, the time of payment, and the manner of collection, and to establish rates for services furnished.
- e) To require all officers, agents and employees, charged with the responsibility for the custody of any funds of the District to give adequate bond, the cost thereof to be paid by the District, and it shall be mandatory upon the Directors to so require.
- f) To select one or more banks to act as depositories of the funds of the District and to determine the manner of receiving, depositing and disbursing the funds of the District in the form of checks, and the person by whom the same shall be signed on behalf of the Chairman, with the power to change such bank or person signing such checks and the form thereof at will.
- g) Prepare annually an estimated budget for the coming year, adjust water rates, if necessary, to produce sufficient revenue required by such budget, cause a annual audit of the District records and accounts to be made by a licensed municipal public accountant or a certified public accountant, and make a report on said matters at each annual meeting of participating members.
- h) When a person is sued or prosecuted in a civil or criminal action in his or her capacity as an employee, officer or director of the District, such person shall be indemnified for such claim, including the reasonable cost of defense thereof as long as:
 - 1) Such person is successful in the defense of the claim, or the claim is settled; and

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- 2) The court find that such person's conduct fairly and equitable merits such indemnity.

ARTICLE 10 Powers and Duties of Manager

Section 1. The Board may employ a District Manager who shall have charge of the business of the Association and the general control, supervision and direction of employees, agents and contractors upon such terms as the Board sees fit. No Director shall be simultaneously employed by said District.

ARTICLE 11 Duties of Officers

Section 1. Chairman. The Chairman, who shall be a member of the Board, shall preside over all meetings of the District and the Board, call special meetings of the District and the Board, perform all acts and duties usually performed by an executive and presiding officer, and shall sign all such papers of the District as authorized or directed to sign by the Board, provided that the Board may authorize any person to sign checks, on behalf of the District, provided that all checks must be countersigned by the Treasurer or someone on the Treasurer's behalf. The Chairman shall perform such other duties as may be prescribed by the Board.

Section 2. Vice-Chairman. In the absence or disability of the Chairman, the Vice-Chairman, who shall be a member of the Board, shall perform the duties of the Chairman.

Section 3. Secretary. It shall be the duty of the Secretary, who shall be a member of the Board, to keep a record of the proceedings of the meetings of the Board and the District. He shall serve, or cause to be served, all notices required to be served by law of the Bylaws of the District; and in case of the Secretary's absence, inability, refusal or neglect to do so, then such notices may be served by any member of the board directed by the Chairman.

Section 4. Treasurer. The Treasurer, who shall be a member of the Board, shall account for all funds of the District, and shall pay amounts out of the Depository only on the checks of the Chairman, or someone authorized to sign on the Chairman's behalf, countersigned by the Treasurer or someone on the Treasurer's behalf. At each annual meeting of the District, the Treasurer shall submit for the information of the participating members a complete statement of account for the past year and shall discharge such other duties pertaining to the Treasurer as shall be prescribed by the Board, and shall give a good and sufficient bond in such amount as may be fixed by the Board.

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ARTICLE 12 Books and Records

Section 1. The books and records of the District, and such papers as may be placed on file by vote of the District or Directors, shall during all reasonable business hours be subject to inspection according to law.

ARTICLE 13 Annual or Special Meetings of Participating Members

Section 1. The annual meeting of the participating members of the District shall be held at some suitable location within the District designated by the Board, in Miami County. Said annual meeting shall be held on any date during February 1 through February 15 of each year.

Section 2. Special meeting of participating members may be called at any time by the Chairman or upon resolution of the Board, or upon written petition to the Chairman of the Board, signed by 51% of the participating members of the District. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted thereat except such as is specified in the notice.

Section 3. Notice of meetings of participating members of the District shall be given by mail to each participating member of record directed to the address shown upon the books of the District at least 10 days prior to the meeting, but no failure or irregularity of a notice of any annual meeting, regularly held, shall affect any proceeding taken thereat.

Section 4. The participating members present at any meeting of participating members shall constitute a quorum for the purpose of transacting business.

Section 5. The order of business at the annual meeting and so far as possible at all other meetings shall be:

- a) Call to order
- b) Proof of Notice of Meeting
- c) Reading and approval of minutes of last meeting
- d) Report of Officers and Committees
- e) Election of Directors
- f) Unfinished Business
- g) New Business
- h) Adjournment

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ARTICLE 14 Board Meetings

Section 1. The Board shall meet annually immediately following the meeting of participating members, and may meet at such or other times as may be determined by the Board, or upon call by the Chairman or any two members of the Board. Notice of all meetings of the Board, other than the meeting to be held immediately following the annual meeting of the members, shall be by mailing a notice to the last known business or residence address of each Director, at least two days before the holding of such a meeting: Provided, however, that when all of the Directors are present at any meeting, however called, or consent in writing that such meeting may be held, the proceedings thereat shall be as valid as though the previous written notice aforesaid had been given.

ARTICLE 15 Seal

Section 1. The District shall have a corporate seal, consisting of a circle having on its circumference and face the words, "Rural Water District No. 2, Miami County, Kansas," which shall be in the custody of the Secretary.

ARTICLE 16 Fiscal Year

Section 1. The Fiscal Year of the District shall begin the first day of December of each year.

ARTICLE 17 Amendment

Section 1. These Bylaws may be repealed or amended by a vote of 3/4th of the participating members present at any regular meeting of the District, or at any special meeting of the District called for that purpose except that the participating members shall not have the power to change the purposes of the District so as to impair its rights and powers under the laws of the State of Kansas, or to waive any requirement of bond or other provision for the safety and security of the property and funds of the District or its participating members, or to deprive any participating member or landowner of rights and privileges then existing, or to so amend the Bylaws as to affect a fundamental change in the policies of the District. Notice of any amendment to be made at any regular or special meeting of the participating members must be given at least 10 days before such meeting and must set forth the amendments to be considered.

ARTICLE 18 Basis of Operation

Section 1. The District shall at all times be operating on a non-profit basis for the mutual benefit of its participating members.

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ARTICLE 19 Benefits and duties of Members

Section 1. The District shall install, own, maintain and operate a water distribution system to the point of delivery which point shall be the discharge side of the water meter.

Section 2. Each participating member shall be entitled to purchase from the District, such water as the participating member may desire subject, however, to the provisions of these Bylaws and such rules and regulations as may be prescribed by the Board. The water delivered to each participating member shall be metered.

Section 3. In the event the total water supply shall be insufficient to meet all of the needs of the members and users, or in the event there is a shortage of water, the District may prorate the water available according to the Water Conservation Plan as approved by the Board.

ARTICLE 20 Printing

Section 1. After adoption, these Bylaws shall be prepared in pamphlet form, and a copy thereof shall be delivered to each participating member.

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Affidavit

State of Kansas

County of Miami SS:

James Dycus, Alan M. Hire, Doug Hensley, Brad Ryckert, James Bracken, Gary Guetterman, Michael McClurg, Ron Flaigle and Rick Norland, being first duly sworn, depose and state, each for himself that he is a Director of Rural Water District No. 2, Miami County, Kansas, that the foregoing Bylaws were adopted at a meeting of the landowners of said District, duly held on the 8th day of August, 2011, at 7:00 o'clock P.M. That there were 19 landowners present in person and that the vote for the adoption of the Bylaws was fifteen (15) approving and four (4) against.

Jim Dycus

Alan M. Hire

Doug Hensley

Brad Ryckert

James Bracken

Gary Guetterman

Michael McClurg

Ron Flaigle

Rick Norland

Subscribed and sworn to before me this _____ day of _____, 2011.

Notary Public

My Commission expires _____