RURAL WATER DISTRICT NUMBER 3
Sedgwick County, Kansas

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2025 and 2024

RURAL WATER DISTRICT NUMBER 3
Sedgwick County, Kansas

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Year ended December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Water District Number 3
Sedgwick County
Mulvane, Kansas

Opinions
We have audited the accompanying financial statements of the business-type activities of Rural Water District Number 3, Sedgwick County, Kansas as of and for the year ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Rural Water District Number 3, Sedgwick County, Kansas as of December 31, 2025 and 2024, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent Rural Water District Number 3, Sedgwick County, Kansas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Water District Number 3's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Rural Water District Number 3's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rural Water District Number 3's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements is not affected by this missing information.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rural Water District Number 3's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Harold K. Mayes Jr.

Harold K. Mayes Jr. CPA
Agler & Gaeddert, Chartered
Ottawa, Ks.
March 4, 2026

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF NET POSITION
December 31,

	2025	2024
ASSETS		
Current Assets		
Cash Collection	$ 62,220	$ 18,330
Cash Operations	180,362	126,594
Petty Cash	400	400
125 Plan Cash	8,225	10,325
Money Market	129,659	156,676
U.S. Government Securities - Amortized Cost - Held to Maturity	3,136,928	3,039,879
Accounts Receivable	158,137	153,667
Accrued Interest Receivable	63,920	41,831
Inventory	254,756	243,654
Total current assets	3,994,607	3,791,356
Property, Plant and Equipment		
Land	96,596	96,596
Utility Plant	8,448,612	8,116,828
Water Tower 95th St	1,766,667	1,766,667
Improvements	56,637	56,638
Equipment	1,230,597	1,085,943
Office Furniture & Equipment	78,113	78,113
Vehicles	359,328	327,440
Building and Improvements	1,120,649	1,120,649
	13,157,199	12,648,874
Accumulated Depreciation	(6,534,565)	(6,098,791)
Total Property Plant and Equipment	6,622,634	6,550,083
Other Assets		
U.S. Government Securities - Amortized Cost - Held to Maturity	3,485,840	3,136,853
Loan Reserve at Kansas Public Water Supply Loan Fund	163,732	163,732
Brec Credit	6,988	6,988
	3,656,560	3,307,573
Total Assets	$ 14,273,801	$ 13,649,012

The accompanying notes are an integral part of these statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF NET POSITION
December 31,

LIABILITIES AND NET POSITION		2025		2024
Current Liabilities				
Water Bill Payable	$	63,400	$	56,248
Accounts Payable		21,962		2,064
Sales Tax Payable		408		316
Accrued Wages and Payroll Taxes		39,565		42,307
Accrued Interest and Fees		8,792		9,208
Customer prepaid costs to install water line		3,000		0
Current Portion of Long-Term Debt		73,095		72,097
Total Current Liabilities		210,222		182,240
Long-Term Debt		1,456,185		1,529,279
Net Position				
Invested in Capital Assets, Net of Related Debt		5,093,354		5,020,804
Unrestricted Net Position		7,514,040		6,916,689
Total Net Position		12,607,394		11,937,493
Total Liabilities & Net Position	$	14,273,801	$	13,649,012

The accompanying notes are an integral part of these statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31,

	2025	2024
Operating Revenues		
Water Sales	$ 1,320,615	$ 1,357,330
Monthly Minimum	804,772	797,197
Penalties	22,347	20,403
Other Fees and Receipts	290,811	9,588
Total Revenues	2,438,545	2,184,518
Cost of Sales		
Cost of Water	50,436	52,904
Cost of Pumping	6,031	6,895
Cost of Water-Wichita	787,891	792,862
Clean Drinking Water	6,860	9,349
Total Cost of Sales	851,218	862,010
Gross Profit	1,587,327	1,322,508
Operating Expenses		
Wages - Total	451,970	452,405
Meter Readers	31,299	33,773
Payroll Taxes	35,669	35,967
SIMPLE Match	14,485	14,130
Travel & Mileage	2,357	2,606
Equipment/Vehicle Maintenance	24,338	22,015
Fuel Only	21,309	23,578
One Call Locations	3,196	4,283
Legal Fees	36,251	42,882
Engineering Fees	3,833	5,208
Accounting & Auditing	8,095	8,225
Contract Repairs	73,630	32,235
Tower Maintenance	19,225	141,187
Repair Supplies	38,428	31,879
Tower Lights	3,623	3,532
Propane	4,465	3,920
Telephone	5,869	6,754
Office & Software	25,923	28,319
Postage	17,847	17,897
Insurance & Bonds	62,688	52,286
Employee Benefits-Insurance	78,882	82,344
Miscellaneous	6,267	10,824
Christmas & Meetings	12,266	12,950
Reimbursed Expenses	4,850	4,750
Dues and Fees	9,562	6,377
Real Estate Tax	60	31
Education/Training/Conference	958	2,172
Depreciation	426,863	385,848
Office Utilities	3,903	3,813
Interest Expense	22,569	20,240
Total Operating Expenses	1,450,680	1,492,430
Total Operating Income (Loss)	136,647	(169,922)

The accompanying notes are an integral part of these statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31,

	2025	2024
Non-Operating Revenues (Expenses)		
Sale of Service Areas	$ 204,623	$ 465,195
Gain (Loss) on Sale of assets	(84,398)	0
Gain (Loss) on Sale of Investments	60,197	31,948
Interest Income	256,039	191,963
Total Non-Operating Income (Loss)	436,461	689,106
Other Revenues and (Expenses)		
Sale of Benefit Units	96,793	87,000
Net Income	669,901	606,184
Total Net Position, Beginning of Year as restated	11,937,493	11,331,309
Total Net Position, End of Year	$ 12,607,394	$ 11,937,493

The accompanying notes are an integral part of these statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

Cash Flows from Operating Activities	2025	2024
Cash Received From Customers	$ 2,434,075	$ 2,176,815
Cash Paid to Suppliers, Including Water	(1,262,664)	(1,256,710)
Cash Paid to Employees (including payroll taxes and benefits)	(573,504)	(581,805)
Interest Income	233,950	194,745
Interest Expense	(22,985)	(11,032)
Net Cash Provided by (used in) Operating Activities	808,872	522,013
Cash Flows Provided by (used in) Financing Activities		
Water Benefit Units Proceeds	96,793	87,000
Receipts from debt	0	0
Sale of Service Areas	204,623	465,195
Net Cash Provided by (used in) Financing Activities	301,416	552,195
Cash Flows Provided by (used in) Investing Activities:		
Purchases of Property and Equipment (net of reimbursements)	(551,744)	(747,653)
Maturities of U.S. Government Securities (par value)	3,100,000	2,868,052
Purchases of U.S. Government Securities	(3,590,003)	(3,427,230)
Net Cash Provided by (used in) Investing Activities	(1,041,747)	(1,306,831)
Net Increase (Decrease) in Cash and Cash Equivalents	68,541	(232,623)
Cash and Cash Equivalents, Beginning of Year	312,325	544,948
Cash and Cash Equivalents, End of Year	$ 380,866	$ 312,325
Cash Balances		
Cash Collections	$ 62,220	$ 18,330
Cash Operations	180,362	126,594
Petty Cash	400	400
125 Plan Cash	8,225	10,325
Money Market	129,659	156,676
	$ 380,866	$ 312,325
Reconciliations of Operating Income to Net Cash Provided by (used in) Operating Activities		
Operating Income	$ 136,647	$ (169,922)
Interest Income	256,039	191,963
Adjustments to reconcile operating income (loss) to net cash provided by (used in) Operating Activities:		
Depreciation	426,863	385,848
Changes in Assets and Liabilities Not Current Affecting Cash:		
(Increase) Decrease in Accounts Receivable	(4,470)	(7,703)
(Increase) Decrease in Interest Receivable	(22,089)	2,782
(Increase) Decrease in Inventory	(11,102)	105,342
Increase (Decrease) in Account Payable	19,898	1,454
Increase (Decrease) in Interest Payable	(416)	9,208
Increase (Decrease) in Accruals	7,502	3,041
	$ 808,872	$ 522,013

The accompanying notes are an integral part of these financial statements.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting principles consistently applied in the preparation of the accompanying financial statements are noted as follows.

1. Financial Reporting Entity

The scope of the entity for financial reporting purposes is defined as those funds for which the Rural Water District Number 3 (here in referred to as the District) is considered to be financially accountable. The District's financial statements include all of its operations. The District is a separately administered organization. The District has no component units. The District is a quasi-municipality governed by a ten-member board.

2. Government-wide and Financial Fund Statements

Government-wide Financial Statements - The government-wide financial statements include the statement of net position. This statement reports financial information for the District as a whole. Individual funds are not displayed but the statements distinguish between governmental activities generally supported by taxes and general revenues (of which the District does not have any), from the business-types activities, generally financed in whole or in part with fees charged to external customers. The District is a special-purpose government engaged in a single governmental program (delivery of water to customers in the Mulvane, Kansas area).

The statement of revenues, expenses and changes in net position reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities, expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services that report fees, fines and forfeitures, and other charges to users of the District's services; (2) members deposits water meters. All other revenues and expenses not properly included with program revenues or meter deposits will be reported as other revenues and expenses.

The District has just one fund to present in the basic financial statements that account for water sales and service to customers of the District. This fund is reported as an enterprise fund.

3. Measurement focus and Financial Statement Presentation

The financial statements of the District are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when relate cash flows take place. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Reimbursements are reported as reductions to expenses or capital assets.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the District. Operating revenues are charges to customers for sales or services. Operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Non-operating revenues and expenses consist of gain (loss) on sales of assets, realized and unrealized gains and losses on investments, and investment income. Other revenues and expenses consist primarily of benefit units sold or refunded.

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

Budgets are adopted for internal use only and are not required to be published or approved by outside agencies. All budgets are prepared using the accrual basis of accounting.

NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICEIES - continued

4. Fund Types and Major Funds

***Governmental funds*: The** District has no governmental funds.
***Business-type funds*: The** District has one major enterprise fund. The Water fund accounts for the operating activities of the District's water utilities services.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are short term, highly liquid investments having original maturities of three months or less, not restricted for contingencies.

6. Accounts Receivable

The direct write-off method is used for bad debts. Accounts receivable are written off when deemed uncollectible. Accordingly, no allowance for bad debts has been recorded.

7. Inventory

Inventory consists of pipe, meters and other materials used by the District in its daily operations and is valued at cost which is based upon invoices received at the time the inventory item is paid.

8. Property, Plant and Equipment

Property, plant and equipment are reported at cost. Major improvements to existing property and equipment are capitalized. Expenditures on maintenance and repairs that do not extend the life of the applicable assets are charged to expenses as incurred. Historically, the District has received reimbursements from customers (i.e. line extensions) which are accounted for as reductions in costs.

Depreciation is provided on the straight-line basis over the estimated useful life of the assets as follows:

Equipment and Lines	40 years
Building, Pump Station, and major projects	40 years
Furniture and equipment	3 - 10 years
Tower fencing	7 - 20 years.

9. Income Tax

The District is not subject to federal or state income taxes as a quasi-governmental unit.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

11. Revenue Recognition

The District's financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, regardless of the timing of related cash.

Water Sales: Revenue from water sales is recognized when water is delivered to the customer, The District reads meters on a monthly cycle.

Operating Revenues: The District's operating revenues are generated from water sales, service fees, and penalties. These are recognized when the service is provided.

Connection/Tap Fees: Fees for connecting new customers to the water system are considered 0perating revenues and are recognized when the connection is completed or when the District has no further obligation to perform, typically when cash is received.

Non-operating Revenue: Interest income, sales of benefit units and service areas are recognized in the period in which they are earned or become measurable and available.

12. Deferred Outflows and Inflows of Resources

The District does not have any deferred outflows or inflows to report at the current time.

13. Restricted and Unrestricted Resources

The District's policy is to first expend restricted resources should the expenditure qualify for the restricted purpose before expending unrestricted funds.

NOTE B - ASSETS, LIABILITIES AND NET POSITION

1. Cash and Investments

Deposits and Investments - K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

Custodial credit risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District did not have any designated "peak periods" for the current year. All deposits were legally secured at December 31, 2025 and 2024.

NOTE B. - ASSETS, LIABILITIES AND NET POSITION – continued

1. Cash and Investments - continued

At year-end, the carrying amount of the District's deposits (less cash on hand of $400) was $380,466 for 2025 and $311,925 for 2024 respectively. The bank balance was $394,770 for 2025 and $412,069 for 2024 respectively. The difference between book and bank balance is outstanding deposits and checks. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance $250,000 for 2025 and $250,000 for 2024 respectively, was covered by FDIC insurance and $144,770 for 2025 and $162,069 for 2024 respectively was collateralized with securities held by the pledging financial institution's agent in the District's name.

Investments - K.S.A. 12-1675 authorizes the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

As of December 31, 2025 and 2024, the District held U.S. Government Securities consisting of Federal Farm Credit Bank, Federal Home Loan Bank and U.S. Treasury Notes. On December 31, 2025 and 2024, maturities for held-to maturity securities were between one and two years. On December 31, 2025 and 2024 the estimated fair value of each investment approximated its cost and therefore, there were no significant unrecognized holding gains or losses. The District does not adjust for temporary market fluctuations. The investments are carried at cost because they are held to maturity. When these investments mature the gain or loss on the investment is reported in the financial statements under non-operating income. The District does not follow generally accepted accounting principles which require the amortization of bond premiums and bond discounts which result in the annual allocation to the interest income until the bonds equal the value of the bond in the year they are redeemed. The effect on bond values and interest income would be an increase of $14,161 for 2025 and $73,344 in 2024 which is not material to the financial statements taken as a whole. Interest rates on these investments range from 1.50% to 4.9% for 2025 and .250% to 5.125% for 2024.

Investments are stated at amortized costs.

		Maturities in years		
Investment Type	Cost	Less than 1 year	1 to 2 years	Rating
Federal Farm Credit	$ 1,498,339	$ 449,316	$ 1,049,023	SP-AA+
Federal Home Loan Mtg.	1,095,115	797,552	297,563	SP-AA+
U.S. Treasury Note	4,029,239	1,889,985	2,139,254	SP-AA+
U.S. Saving Bond	75	75	0	SP-AA+
	$ 6,622,768	$ 3,136,928	$ 3,485,840	

	2024			
		Maturities in years		
Investment Type	Cost	Less than 1 year	1 to 2 years	Rating
Federal Farm Credit	$ 1,769,521	$ 1,071,028	$ 698,493	SP-AA+
Federal Home Loan Mtg.	2,048,172	1,499,798	548,374	SP-AA+
U.S. Treasury Note	2,358,964	468,978	1,889,986	SP-AA+
U.S. Saving Bond	75	75	0	SP-AA+
	$ 6,176,732	$ 3,039,879	$ 3,136,853	

Inventories	2025	2024

NOTE B. - ASSETS, LIABILITIES AND NET POSITION – continued

2. Accounts Receivable

	2025	2024
Currently due from customers	$ 165,260	$ 148,689
Past due from customers	10,536	11,973
Credit balances	(17,659)	(6,995)
	$ 158,137	$ 153,667

3. Inventories

Inventory is valued at costs and is used internally and not for resell.

Inventories	2025	2024
Pipe, couplins, fittings, meters ect.	$ 254,756	$ 243,654

4. Capital Assets are detailed as follows:

	2025			
Capital assets	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 96,596	$ 0	$ 0	$ 96,596
Utility Plant	8,116,828	331,784	0	8,448,612
Water Tower 95th St	1,766,667	0	0	1,766,667
Improvements	56,637	0	0	56,637
Equipment	1,085,943	144,654	0	1,230,597
Office Furniture & Equipment	78,113	0	0	78,113
Vehicles	327,441	75,306	43,419	359,328
Building and Equipment	1,120,649	0	0	1,120,649
Totals at cost	12,648,874	551,744	43,419	13,157,199
Accumulated depreciation:	6,098,791	426,863	(8,911)	6,534,565
Net Fixed Assets	$ 6,550,083	$ 124,881	$ 52,330	$ 6,622,634

NOTE B. - ASSETS, LIABILITIES AND NET POSITION – continued

4. Capital Assets are detailed as follows: - continued

	2024			
Capital assets	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 96,596	$ 0	$ 0	$ 96,596
Utility Plant	8,046,364	70,464	0	8,116,828
Water Tower 95th St	0	1,766,667	0	1,766,667
Improvements	56,638	0	1	56,637
Equipment	1,046,982	38,961	0	1,085,943
Office Furniture & Equipment	75,920	2,193	0	78,113
Vehicles	256,053	71,388	0	327,441
Building and Equipment	693,561	427,088	0	1,120,649
Tower Under Construction	1,904,030	0	1,904,030	0
Totals at cost	12,176,144	2,376,761	1,904,031	12,648,874
Accumulated depreciation:	5,712,943	385,848	0	6,098,791
Net Fixed Assets	$ 6,463,201	$ 1,990,913	$ 1,904,031	$ 6,550,083

There were no impairments of capital assets as described above as of December 31, 2025 or 2024

5. Compensated Absences

The District pays for unused vacation at the anniversary date of employment and records the expenses as an expense for that year. The District does not pay out unused sick leave.

NOTE C. - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Long-Term Debt

Amount due per year as follows:	Principal	Service Fee	Interest
2026	$ 73,095	$ 15,564	$ 5,288
2027	74,107	14,808	5,032
2028	75,133	9,471	9,344
2029	76,174	4,508	13,266
2030	77,228	4,241	12,478
2030-2034	402,485	17,058	50,199
2035-2039	431,134	9,791	28,815
2040-2044	319,924	2,254	6,635
	$ 1,529,280	$ 77,695	$ 131,057

2. Budgetary Information and compliance with Kansas Statutes

The District adopts an internal budget for the support and maintenance of the District.

Management is not aware of any statutory violations for the years ended December 31, 2025 or 2024

NOTE D. - OTHER INFORMATION

1. Defined Contribution Pension Plan

The District established a Simple IRA program beginning in 1999 for qualified employees. The District matches employee contributions to the plan up to 3 percent of compensation. The District's contribution for the years ended December 31, 2025 and 2024 was $14,485 and $14,130 respectively.

2. Risk Management

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. During the last three years, claim settlements have not exceeded insurance coverage.

3. Concentrations of Risk

The District purchases most of its water from the City of Wichita.

4. Net Position

Net positions in proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through State statute. As of December 31, 2025 or 2024 the District did not have a restricted net position.

5. Subsequent events

Management has evaluated events through March 4, 2026. The District has no significant subsequent events to disclose.

SUPPLEMENTARY INFORMATION

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
For the Year Ended December 31, 2025

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water sales	$ 1,432,500	$ 1,320,615	$ (111,885)
Monthly minimum fees	798,000	804,772	6,772
Penalties	21,600	22,347	747
Other fees and receipts	9,600	290,811	281,211
Total Operating Income	2,261,700	2,438,545	176,845
Cost of Sales			
Cost of Water	0	50,436	(50,436)
Cost of Pumping	7,200	6,031	1,169
Cost of Water-Wichita	901,600	787,891	113,709
Clean Drinking Water	9,600	6,860	2,740
Total Cost of Sales	918,400	851,218	67,182
Gross profit	1,343,300	1,587,327	244,027
Operating Expenses			
Wages - Total	466,800	451,970	14,830
Meter Readers	33,600	31,299	2,301
Payroll Tax Accountant	39,600	35,669	3,931
SIMPLE Match	15,600	14,485	1,115
Travel & Mileage	0	2,357	(2,357)
Equipment/Vehicle Maintenance	38,400	24,338	14,062
Fuel Only	24,000	21,309	2,691
One Call Locations	4,800	3,196	1,604
Legal Fees	43,200	36,251	6,949
Engineering Fees	6,000	3,833	2,167
Accounting & Auditing	14,400	8,095	6,305
Contract Repairs	32,400	73,630	(41,230)
Tower Maintenance	19,200	19,225	(25)
Repair Supplies	32,400	38,428	(6,028)
Tower Lights	3,600	3,623	(23)
Propane	3,600	4,465	(865)
Telephone	7,200	5,869	1,331
Office & Software	24,000	25,923	(1,923)
Postage	18,000	17,847	153
Insurance & Bonds	52,300	62,688	(10,388)
Employee Benefits-Insurance	87,600	78,882	8,718
Miscellaneous	10,800	6,267	4,533
Christmas & Meetings	12,000	12,266	(266)
Reimbursed Expenses	4,800	4,850	(50)
Dues and Fees	6,000	9,562	(3,562)
Real Estate Tax	0	60	(60)
Education/Training/Conf	2,400	958	1,442
Depreciation	240,000	426,863	(186,863)
Office Utilities	3,600	3,903	(303)
Interest Expense	10,800	22,569	(11,769)
Total Operating Expenses	1,257,100	1,450,680	(193,580)

See Independent Auditor's Report.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
For the Year Ended December 31, 2025

	Budget	Actual	Variance Favorable (Unfavorable)
Net Operating Income (Loss)	$ 86,200	$ 136,647	$ 50,447
Non-Operating Revenues (Expenses)			
Sale of Service Areas	0	204,623	204,623
Gain (loss) on Sale of Assets	0	(84,398)	(84,398)
Gain (loss) on Sale of Investments	0	60,197	60,197
Interest Income	172,000	256,039	84,039
Total Non-Operating Income (Loss)	172,000	436,461	264,461
Other Revenues and (Expenses)			
Sales of benefit units	0	96,793	96,793
Net Income	$ 258,200	$ 669,901	$ 411,701

See Independent Auditor's Report.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
For the Year Ended December 31, 2024

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water sales	$ 1,513,300	$ 1,357,330	$ (155,970)
Monthly minimum fees	784,800	797,197	12,397
Penalties	21,600	20,403	(1,197)
Other fees and receipts	6,000	9,588	3,588
Total Revenues	2,325,700	2,184,518	(141,182)
Cost of Sales			
Cost of Water	0	52,904	(52,904)
Cost of Pumping	7,200	6,895	305
Cost of Water-Wichita	796,500	792,862	3,638
Clean Drinking Water	8,400	9,349	(949)
Total Cost of Sales	812,100	862,010	(49,910)
Gross profit	1,513,600	1,322,508	(191,092)
Operating Expenses			
Wages - Total	445,200	452,405	(7,205)
Meter Readers	33,600	33,773	(173)
Payroll Taxes	37,200	35,967	1,233
SIMPLE Match	13,200	14,130	(930)
Travel & Mileage	0	2,606	(2,606)
Equipment/Vehicle Maintenance	43,200	22,015	21,185
Fuel Only	22,800	23,578	(778)
One Call Locations	3,600	4,283	(683)
Legal Fees	39,600	42,882	(3,282)
Engineering Fees	6,000	5,208	792
Accounting & Auditing	14,400	8,225	6,175
Contract Repairs	22,800	32,235	(9,435)
Tower Maintenance	0	141,187	(141,187)
Repair Supplies	25,200	31,879	(6,679)
Tower Lights	2,400	3,532	(1,132)
Propane	6,000	3,920	2,080
Telephone	6,000	6,754	(754)
Office & Software	24,000	28,319	(4,319)
Postage	14,400	17,897	(3,497)
Insurance & Bonds	49,200	52,286	(3,086)
Employee Benefits-Insurance	80,400	82,344	(1,944)
Miscellaneous	12,000	10,824	1,176
Christmas & Meetings	7,200	12,950	(5,750)
Reimbursed Expenses	4,800	4,750	50
Dues and Fees	6,000	6,377	(377)
Real Estate Tax	0	31	(31)
Education/Training/Conference	2,400	2,172	228
Depreciation	240,000	385,848	(145,848)
Office Utilities	3,600	3,813	(213)
Interest Expense	0	20,240	(20,240)
Total Operating Expenses	1,165,200	1,492,430	(327,230)

See Independent Auditor's Report.

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
For the Year Ended December 31, 2024

	Budget	Actual	Variance Favorable (Unfavorable)
Net Operating Income (Loss)	$ 348,400	$ (169,922)	$ (518,322)
Non-Operating Revenues (Expenses)			
Sale of Service Area	0	465,195	465,195
Gain (Loss) on Sale of Investments	0	31,948	31,948
Interest Income	147,600	191,963	44,363
Total Non-Operating Income (Loss)	147,600	689,106	541,506
Other Revenues and (Expenses)			
Sales of benefit units	0	87,000	87,000
Net Income	$ 496,000	$ 606,184	$ 110,184

See Independent Auditor's Report.