RURAL WATER DISTRICT NUMBER 3
Sedgwick County, Kansas

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2023 and 2022

RURAL WATER DISTRICT NUMBER 3
Sedgwick County, Kansas

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Year ended December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, and the respective changes in financial position for the year 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.

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AFFILIATE

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
Rural Water District Number 3 has not presented 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 opinion 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

Harold K. Mayes Jr. CPA
Agler & Gaeddert, Chartered
Ottawa, Ks.
March 7, 2024

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

	2023	2022
ASSETS		
Current Assets		
Cash Collection	$ 70,795	$ 150,973
Cash Operations	233,053	245,147
Petty Cash	400	350
125 Plan Cash	10,437	13,941
Money Market	230,263	13,732
U.S. Government Securities - Amortized Cost - Held to Maturity	2,868,127	2,868,128
Accounts Receivable	145,964	139,314
Accrued Interest Receivable	44,613	23,960
Inventory	348,996	195,841
Total current assets	3,952,648	3,651,386
Property, Plant and Equipment		
Land	96,596	96,596
Utility Plant	8,046,364	7,950,224
Improvements	56,638	56,638
Equipment	1,046,982	854,298
Office Furniture & Equipment	75,920	75,920
Vehicles	256,053	256,053
Building and Improvements	693,561	508,085
Tower Under Construction	1,904,030	81,765
	12,176,144	9,879,579
Accumulated Depreciation	(5,712,943)	(5,463,586)
Total Property Plant and Equipment	6,463,201	4,415,993
Other Assets		
U.S. Government Securities - Amortized Cost - Held to Maturity	2,749,427	2,867,692
Brec Credit	6,988	6,988
	2,756,415	2,874,680
Total Assets	$ 13,172,264	$ 10,942,059

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		2023		2022
Current Liabilities				
Water Bill Payable	$	54,485	$	48,388
Water Programs Payable		0		1,111
Sales Tax Payable		439		334
Customer prepaid costs to install water line		99,531		0
Current Portion of Long-Term Debt		0		0
Total Current Liabilities		154,455		49,833
Long-Term Debt		1,644,984		0
Net Position				
Invested in Capital Assets, Net of Related Debt		6,463,201		4,415,993
Unrestricted Net Position		4,909,624		6,476,233
Total Net Position		11,372,825		10,892,226
Total Liabilities & Net Position	$	13,172,264	$	10,942,059

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,

	2023	2022
Operating Revenues		
Water Sales	$ 1,297,789	$ 1,175,134
Monthly Minimum	784,572	760,566
Penalties	20,919	20,042
Other Fees and Receipts	5,581	2,327
Total Revenues	2,108,861	1,958,069
Cost of Sales		
Cost of Water	56,597	45,234
Cost of Pumping	6,980	7,324
Cost of Water-Wichita	749,413	703,287
Clean Drinking Water	8,378	4,446
Total Cost of Sales	821,368	760,291
Gross Profit	1,287,493	1,197,778
Operating Expenses		
Wages - Total	434,287	373,996
Meter Readers	33,268	33,462
Payroll Taxes	34,793	30,349
SIMPLE Match	13,621	12,066
Travel & Mileage	2,458	1,399
Equipment/Vehicle Maintenance	43,292	28,277
Fuel Only	22,370	25,262
One Call Locations	3,682	3,988
Legal Fees	39,321	31,210
Engineering Fees	6,293	4,110
Accounting & Auditing	7,444	7,176
Contract Repairs	11,970	19,572
Tower Maintenance	27,000	0
Repair Supplies	24,834	20,171
Tower Lights	2,295	1,371
Propane	5,500	3,313
Telephone	6,250	5,510
Office & Software	24,137	20,374
Postage	14,767	12,820
Insurance & Bonds	49,234	45,188
Employee Benefits-Insurance	80,914	68,487
Miscellaneous	11,706	6,764
Christmas & Meetings	14,385	7,802
Reimbursed Expenses	5,300	4,203
Dues and Fees	6,473	6,611
Real Estate Tax	14	14
Education/Training/Conference	2,817	2,647
Depreciation	297,962	262,402
Office Utilities	3,236	3,566
Total Operating Expenses	1,229,623	1,042,110
Total Operating Income (Loss)	57,870	155,668

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,

	2023	2022
Non-Operating Revenues (Expenses)		
Realized Gain (Loss) on Sale of Assets	$ 0	$ (51,699)
Sale of Service Areas	120,000	79,213
Gain (Loss) on Sale of Investments	15,756	1,846
Interest Income	136,973	72,429
Total Non-Operating Income (Loss)	272,729	101,789
Other Revenues and (Expenses)		
Sale of Benefit Units	150,000	169,000
Net Income	480,599	426,457
Total Net Position, Beginning of Year	10,892,226	10,465,769
Total Net Position, End of Year	$ 11,372,825	$ 10,892,226

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	2023	2022
Cash Received From Customers	$ 2,102,211	$ 1,950,446
Cash Paid to Suppliers, Including Water	(1,336,362)	(1,161,064)
Cash Paid to Employees (including payroll taxes and benefits)	(563,615)	(484,898)
Net Cash Provided by (used in) Operating Activities	202,234	304,484
Cash Flows Provided by (used in) Financing Activities		
Water Benefit Units Proceeds	150,000	169,000
Proceeds from Sale of Assets	0	1,846
Sale of Service Areas	120,000	79,213
Net Cash Provided by (used in) Financing Activities	270,000	250,059
Cash Flows Provided by (used in) Investing Activities:		
Purchases of Property and Equipment (net of reimbursements)	(208,646)	(208,646)
Interest Income	116,322	63,334
Maturities of U.S. Government Securities (par value)	2,825,000	2,500,000
Purchases of U.S. Government Securities	(3,084,105)	(2,868,053)
Net Cash Provided by (used in) Investing Activities	(351,429)	(513,365)
Net Increase (Decrease) in Cash and Cash Equivalents	120,805	41,178
Cash and Cash Equivalents, Beginning of Year	424,143	382,965
Cash and Cash Equivalents, End of Year	$ 544,948	$ 424,143
Cash Balances		
Cash Collections	$ 70,795	$ 150,973
Cash Operations	233,053	245,147
Petty Cash	400	350
125 Plan Cash	10,437	13,941
Money Market	230,263	13,732
	$ 544,948	$ 424,143
Reconciliations of Operating Income to Net Cash Provided by (used in) Operating Activities		
Operating Income	$ 57,870	$ 155,668
Adjustments to reconcile operating income (loss) to net cash provided by (used in) Operating Activities:		
Depreciation	297,962	262,402
Changes in Assets and Liabilities Not Current Affecting Cash:		
(Increase) Decrease in Accounts Receivable	(6,650)	(7,623)
(Increase) Decrease in Inventory	(153,155)	(106,607)
Increase (Decrease) in Account Payable	6,097	534
Increase (Decrease) in Other Payables	110	110
	$ 202,234	$ 304,484

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, 2023 and 2022

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 an elected six-member board.

2. Government-wide and Fund Financial 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 accounts 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 consist 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 and betterments to existing property and equipment are capitalized. Expenditures for 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 of 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.

11. Revenues

Operating revenues and expenses included the sale of water and the expenses associated with pumping and cleaning the water. Non-operating revenues and expenses consist of investment income and sales of assets.

NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, 2023.

At year-end the carrying amount of the District's deposits (less cash on hand of $400) was $544,548 for 2023 and $423,793 for 2022 respectively. The bank balance was $557,544 for 2023 and $434,236 for 2022 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 2023 and $250,000 for 2022 respectively, was covered by FDIC insurance and $307,544 for 2023 and $184,236 for 2022 respectively was collateralized with securities held by the pledging financial institutions' agents 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, 2023 and 2022, the District held U.S. Government Securities consisting of Federal Farm Credit Bank, Federal Home Loan Bank and U.S. Treasury Notes. At December 31, 2023 and 2022, maturities for noncurrent held-to maturity securities were between one and two years. At December 31, 2023 and 2022 the estimated fair value of each investment approximated its amortized cost and therefore, there were no significant unrecognized holding gains or losses. The District does not make adjustments 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. Interest rates on these investments range from .250% to 4.720% for 2023 and .125% to 4.625% for 2022. The District investments are reported at amortized cost.

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

1. Cash and Investments - continued

Investments are stated at amortized costs.

	2023			
		Maturities in years		
		Less than	1 to 2	
Investment Type	Cost	1 year	years	Rating
Federal Farm Credit	$ 1,301,457	$ 750,056	$ 551,401	SP-AA+
Federal Home Loan Mtg.	1,948,802	449,004	1,499,798	SP-AA+
Fannie Mae	229,251	0	229,251	SP-AA+
U.S. Treasury Note	2,137,969	1,668,992	468,977	SP-AA+
U.S. Saving Bond	75	75	0	SP-AA+
	$ 5,617,554	$ 2,868,127	$ 2,749,427	

	2022			
		Maturities in years		
		Less than	1 to 2	
Investment Type	Cost	1 year	years	Rating
Federal Farm Credit	$ 1,250,961	$ 500,904	$ 750,057	SP-AA+
Federal Home Loan Mtg.	1,332,105	883,101	449,004	SP-AA+
Fannie Mae	0	0	0	SP-AA+
U.S. Treasury Note	3,152,679	1,484,048	1,668,631	SP-AA+
U.S. Saving Bond	75	75	0	SP-AA+
	$ 5,735,820	$ 2,868,128	$ 2,867,692	

2. Accounts Receivable

Accounts receivable	2023	2022
Currently due from customers	$ 147,555	$ 131,805
Past due from customers	12,450	22,209
Credit balances	(14,041)	(14,700)
	$ 145,964	$ 139,314

3. Inventories

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

Inventories	2023	2022
Pipe, couplins, fittings, meters ect.	$ 348,996	$ 195,841

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

4. Capital Assets are detailed as follows:

	2023			
Capital assets	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 96,596	$ 0	$ 0	$ 96,596
Utility Plant	7,950,224	96,140	0	8,046,364
Improvements	56,638	0	0	56,638
Equipment	854,298	192,684	0	1,046,982
Office Furniture & Equipment	75,920	0	0	75,920
Vehicles	256,053	0	0	256,053
Building and Equipment	508,085	185,476	0	693,561
Tower Under Construction	81,765	1,822,265	0	1,904,030
Totals at cost	9,879,579	2,296,565	0	12,176,144
Accumulated depreciation:	5,463,586	249,357	0	5,712,943
Net Fixed Assets	$ 4,415,993	$ 2,047,208	$ 0	$ 6,463,201

	2022			
Capital assets	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 96,596	$ 0	$ 0	$ 96,596
Utility Plant	7,871,237	78,987	0	7,950,224
Improvements	48,550	8,088	0	56,638
Equipment	835,260	19,038	0	854,298
Office Furniture & Equipment	75,920	0	0	75,920
Vehicles	213,401	42,652	0	256,053
Building and Equipment	508,085	0	0	508,085
Tower Under Construction	21,884	59,881	0	81,765
Totals at cost	9,670,933	208,646	0	9,879,579
Accumulated depreciation:	5,201,184	262,402	0	5,463,586
Net Fixed Assets	$ 4,469,749	$ (53,756)	$ 0	$ 4,415,993

There were no impairment of capital assets as described above as of December 31, 2023 and 2022

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. Budgetary Information

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

NOTE C. - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued

2. Compliance with Kansas Statutes

Management is not aware of any statutory violations for the years ended December 31, 2023 or 2022

3. Long-Term Debt

Amount due per year as follows:	Principal	Service Fee	Interest
2024	$ 35,851	$ 8,472	$ 2,879
2025	72,445	16,388	5,569
2026	73,449	15,639	5,314
2027	74,466	14,881	5,057
2028	75,497	9,517	9,388
2029-2033	393,461	19,922	58,631
2034-2038	421,468	12,820	37,726
2039-2044	498,347	5,292	15,574
	$ 1,644,984	$ 102,931	$ 140,138

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, 2023 and 2022 was $13,621 and $12,066 respectively.

2. Risk Management

The District is exposed to various risks of loss related to torts' theft of, damage to and destruction of assets; errors and omissions; 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 the majority of its water from the City of Wichita.

4. Net Position

Net position in proprietary fund financial statements is 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, 2023 or 2022 the District did not have any restricted net position.

5. Subsequent events

Management has evaluated events through March 7, 2024. The District is in the process of building a new water tower which is estimated to cost $1,600,000.

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, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water sales	$ 1,282,500	$ 1,297,789	$ 15,289
Monthly minimum fees	760,560	784,572	24,012
Penalties	21,000	20,919	(81)
Other fees and receipts	2,400	5,581	3,181
Total Operating Income	2,066,460	2,108,861	42,401
Cost of Sales			
Cost of Water	0	56,597	(56,597)
Cost of Pumping	4,800	6,980	(2,180)
Cost of Chlorination	0	0	0
Cost of Water-Wichita	778,400	749,413	28,987
Clean Drinking Water	4,800	8,378	(3,578)
Total Cost of Sales	788,000	821,368	(33,368)
Gross profit	1,278,460	1,287,493	9,033
Operating Expenses			
Wages - Total	419,400	434,287	(14,887)
Meter Readers	33,480	33,268	212
Payroll Tax Accountant	35,160	34,793	367
SIMPLE Match	13,560	13,621	(61)
Travel & Mileage	0	2,458	(2,458)
Equipment/Vehicle Maintenance	27,600	43,292	(15,692)
Fuel Only	52,320	22,370	29,950
One Call Locations	3,960	3,682	278
Legal Fees	31,200	39,321	(8,121)
Engineering Fees	6,000	6,293	(293)
Accounting & Auditing	14,400	7,444	6,956
Contract Repairs	22,800	11,970	10,830
Tower Maintenance	0	27,000	(27,000)
Repair Supplies	20,160	24,834	(4,674)
Tower Lights	1,440	2,295	(855)
Propane	3,360	5,500	(2,140)
Telephone	5,520	6,250	(730)
Office & Software	18,000	24,137	(6,137)
Postage	12,840	14,767	(1,927)
Insurance & Bonds	45,200	49,234	(4,034)
Employee Benefits-Insurance	80,040	80,914	(874)
Miscellaneous	6,840	11,706	(4,866)
Christmas & Meetings	7,200	14,385	(7,185)
Reimbursed Expenses	4,800	5,300	(500)
Dues and Fees	6,600	6,473	127
Real Estate Tax	0	14	(14)
Education/Training/Conf	2,640	2,817	(177)
Depreciation	240,000	297,962	(57,962)
Office Utilities	3,600	3,236	364
Total Operating Expenses	1,118,120	1,229,623	(111,503)

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, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
Net Operating Income (Loss)	$ 160,340	$ 57,870	$ (102,470)
Non-Operating Revenues (Expenses)			
Realized Gain (loss) on Sale of Assets	0	0	0
Sale of Service Areas	0	120,000	120,000
Gain (loss) on sale of Investments	0	15,756	15,756
Interest Income	87,960	136,973	49,013
Total Non-Operating Income (Loss)	87,960	272,729	184,769
Other Revenues and (Expenses)			
Sales of benefit units	0	150,000	150,000
Net Income	$ 248,300	$ 480,599	$ 232,299

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
For the Year Ended December 31, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water sales	$ 1,080,000	$ 1,175,134	$ 95,134
Monthly minimum fees	738,000	760,566	22,566
Penalties	21,000	20,042	(958)
Other fees and receipts	2,400	2,327	(73)
Total Revenues	1,841,400	1,958,069	116,669
Cost of Sales			
Cost of Water	0	45,234	(45,234)
Cost of Pumping	4,800	7,324	(2,524)
Cost of Chlorination	0	0	0
Cost of Water-Wichita	654,700	703,287	(48,587)
Clean Drinking Water	4,800	4,446	354
Total Cost of Sales	664,300	760,291	(95,991)
Gross profit	1,177,100	1,197,778	20,678
Operating Expenses			
Wages - Total	378,000	373,996	4,004
Meter Readers	32,400	33,462	(1,062)
Payroll Taxes	32,400	30,349	2,051
SIMPLE Match	8,400	12,066	(3,666)
Travel & Mileage	0	1,399	(1,399)
Equipment/Vehicle Maintenance	21,600	28,277	(6,677)
Fuel Only	27,600	25,262	2,338
One Call Locations	3,600	3,988	(388)
Legal Fees	30,000	31,210	(1,210)
Engineering Fees	6,000	4,110	1,890
Accounting & Auditing	14,400	7,176	7,224
Contract Repairs	22,800	19,572	3,228
Repair Supplies	19,200	20,171	(971)
Tower Lights	1,800	1,371	429
Propane	5,400	3,313	2,087
Telephone	6,000	5,510	490
Office & Software	18,000	20,374	(2,374)
Postage	11,400	12,820	(1,420)
Insurance & Bonds	42,200	45,188	(2,988)
Employee Benefits-Insurance	45,600	68,487	(22,887)
Miscellaneous	9,600	6,764	2,836
Christmas & Meetings	7,200	7,802	(602)
Reimbursed Expenses	4,800	4,203	597
Dues and Fees	4,800	6,611	(1,811)
Real Estate Tax	0	14	(14)
Education/Training/Conference	1,800	2,647	(847)
Depreciation	240,000	262,402	(22,402)
Office Utilities	3,600	3,566	34
Total Operating Expenses	998,600	1,042,110	(43,510)

Rural Water District Number 3
Sedgwick County
Mulvane, Kansas
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
For the Year Ended December 31, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Net Operating Income (Loss)	$ 178,500	$ 155,668	$ (22,832)
Non-Operating Revenues (Expenses)			
Realized Gain (Loss) on Sale of Assets	0	1,846	1,846
Sale of Service Area	0	79,213	79,213
Gain (Loss) on Sale of Investments	0	(51,699)	(51,699)
Interest Income	68,400	72,429	4,029
Total Non-Operating Income (Loss)	68,400	101,789	33,389
Other Revenues and (Expenses)			
Sales of benefit units	0	169,000	169,000
Net Income	$ 246,900	$ 426,457	$ 179,557