

SOUTHWEST KANSAS GROUNDWATER
MANAGEMENT DISTRICT NO. 3
REGULATORY BASIS FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
REGULATORY BASIS FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

INTRODUCTORY SECTION

Title Page
Table of Contents

FINANCIAL SECTION

Independent Auditors' Report 1-3

STATEMENT 1

Summary Statement of Receipts, Expenditures and Unencumbered Cash 4

Notes to the Financial Statement 5-10

REGULATORY REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

Summary of Expenditures – Actual and Budget 12

SCHEDULE 2

Statement of Receipts and Expenditures – Actual and Budget

General Fund 13

Special Revenue Funds:

Arkansas River Water Conservation Projects Fund 14

Water Right Retirement Fund 15

OTHER SUPPLEMENTAL INFORMATION

GRAPH 1 17

GRAPH 2 18



INDEPENDENT AUDITORS' REPORT

Board of Directors
Southwest Kansas Groundwater
Management District No. 3
Garden City, Kansas 67846

We have audited the accompanying regulatory basis fund summary statement of receipts, expenditures and unencumbered cash of the Southwest Kansas Groundwater Management District No. 3 as of and for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Southwest Kansas Groundwater Management District No. 3 on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* of the State of Kansas, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

405 North Sixth Street | P.O. Box 699
Garden City, KS 67846
620-275-9267 | 800-627-0636
Fax: 620-275-8936 | www.lhd.com

CPAs

Charles H. Claar, Jr, CPA
Theresa Dasenbrock, CPA, CFE
David L. Hetrick, CPA
Steven D. Josseland, CPA
Gary A. Schlappe, CPA
Rodney Van Norden, CPA

Lisa L. Axman, CPA
Sarah J. Bartel, CPA
Sue A. Bradley, CPA
Susan A. Burgardt, CPA
Shannon N. Miller, CPA
Tracey Homm, CPA, CSEP
Rebecca L. Pfannenstiel, CPA
Kimberly A. Roth, CPA
Kristin J. Sekavec, CPA
Keysha Urie, CPA
Monica J. Wilson, CPA

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Southwest Kansas Groundwater Management District No. 3 as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Southwest Kansas Groundwater Management District No. 3 as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* of the State of Kansas described in Note 1.

Report on Supplementary Information

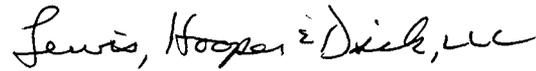
Our audit was conducted for the purpose of forming an opinion on the regulatory basis fund summary statement of receipts, expenditures and unencumbered cash balances (basic financial statement) as a whole. The regulatory basis summary of expenditures - actual and budget, and the regulatory basis individual fund schedules of receipts and expenditures - actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement; however, they are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2011 actual columns presented in the individual fund schedules of receipts and expenditures (Schedule 2's as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2011 financial statement upon which we rendered an unqualified opinion dated January 31, 2012. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards, at the following link <http://www.da.ks.gov/ar/muniserv/EAuditAccept.htm>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and

Board of Directors
Southwest Kansas Groundwater
Management District No. 3
Page 3

other records used to prepare the 2011 financial statement or to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statement as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.


LEWIS, HOOPER & DICK, LLC

February 1, 2013

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
 Summary Statement of Receipts, Expenditures and Unencumbered Cash
 Regulatory Basis
 For the Year Ended December 31, 2012

Fund	Unencumbered Cash 01-01-12	Receipts	Expenditures	Unencumbered Cash 12-31-12	Outstanding Encumbrances and Payables	Treasurer's Cash 12-31-12
<u>Governmental Type Funds</u>						
General	\$ 1,053,261	\$ 661,060	\$ 697,472	\$ 1,016,849	\$ 11,681	\$ 1,028,530
Special Purpose Funds:						
Arkansas River Water Conservation Projects	6,219,425	35,015	563,809	5,690,631	-	5,690,631
Water Right Retirement	-	-	-	-	-	-
Total Reporting Entity (Memorandum only)	<u>\$ 7,272,686</u>	<u>\$ 696,075</u>	<u>\$ 1,261,281</u>	<u>\$ 6,707,480</u>	<u>\$ 11,681</u>	<u>\$ 6,719,161</u>

Composition of cash:

General Fund:

Commerce Bank:

Checking account

\$ 58,249

Money market accounts

10,280

First National Bank of Holcomb :

Certificates of deposit

208,407

First National Bank of Liberal:

Certificates of deposit

210,536

Valley State Bank:

Certificates of deposit

441,318

Western State Bank:

Savings account

99,740

Total General Fund

1,028,530

Arkansas River Water Conservation Projects Fund:

Commerce Bank:

Checking account

9,772

Savings account

543,214

Certificates of deposit

2,039,209

Western State Bank:

Money market accounts

98,436

Certificates of deposit

3,000,000

Total Arkansas River Water Conservation Projects Fund

5,690,631

Total cash

\$ 6,719,161

The accompanying Notes to the Financial Statement are an integral part of this statement.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
Notes to the Financial Statement
For the Year Ended December 31, 2012

1. Summary of significant accounting policies

The Southwest Kansas Groundwater Management District No. 3 was incorporated under provisions of the State of Kansas. The more significant of the District's accounting policies are described below.

A. Financial reporting entity

The District is governed by an elected board. This financial statement presents the Southwest Kansas Groundwater Management District No. 3 (the municipality) and its related municipal entities. The related municipal entities are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

The District has no organizations, functions or activities which are considered related municipal entities of the District.

B. Regulatory basis of accounting and departure from accounting principles generally accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The *Kansas Municipal Audit and Accounting Guide* regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

C. Regulatory basis fund types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used by the District:

General fund – the chief operating fund; used to account for all resources except those required to be accounted for in another fund.

Special Purpose funds – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest funds – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project funds – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc...).

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
Notes to the Financial Statement
For the Year Ended December 31, 2012

1. Summary of significant accounting policies (continued)

C. Regulatory basis fund types (continued)

Trust funds – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc...).

Agency funds – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc...).

D. Cash and investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the District (except for investments in the Kansas Municipal Investment Pool). Cash includes amounts in demand deposits, time deposits and certificates of deposit. Investments of the pooled accounts consist primarily of investments with the Kansas Municipal Investment Pool and U.S. government securities carried at cost, which approximates market. Interest income earned is allocated as designated by the Board.

E. Property taxes and special assessments

The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the counties. The County Appraiser annually determines assessed valuations based on real property transactions as recorded by the Register of Deeds and personal property holdings reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls and the County Treasurer collects the taxes for all taxing entities within the County.

Taxes are assessed on a calendar year basis, are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1st of the ensuing year. One-half of the property taxes are due December 20th and distributed to the District by January 20th to finance a portion of the current year's budget. The second half is due May 10th and distributed to the District by June 5th. The District Treasurer draws available funds from the County Treasurer's office at designated times throughout the year.

F. Interfund transactions

Quasi-external transactions (i.e., transactions that would be treated as receipts or expenditures if they involved organizations external to the governmental unit, such as internal service fund billings to departments) are accounted for as receipts or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
Notes to the Financial Statement
For the Year Ended December 31, 2012

1. Summary of significant accounting policies (continued)

G. Reimbursements

A reimbursement is an expenditure initially made in one fund, but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed by other funds. In accounting for such reimbursements, the District records an expenditure in the reimbursing fund, and a reduction of expenditure in the reimbursed fund, following the authoritative guidance of the *Governmental Accounting, Auditing and Financial Reporting*.

H. Memorandum totals

The total line on the financial statement is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. No consolidated financial information is presented nor is all required disclosures presented for these amounts.

2. Stewardship, compliance and accountability

A. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before the District's annual meeting.
2. Publication in local newspaper of the notice of public hearing on the budget at least twenty-eight days before the annual meeting.
3. Public hearing at the annual meeting, but at least twenty-eight days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2012.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
Notes to the Financial Statement
For the Year Ended December 31, 2012

2. Stewardship, compliance and accountability (continued)

A. Budgetary information (continued)

A legal operating budget is not required for capital projects funds, trust funds, and certain special purpose funds. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

B. Compliance with Kansas statutes

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representative of the District.

- State law requires governmental funds deposited at all financial institutions to be secured by FDIC or other State prescribed pledged securities. At December 31, 2012, there were no securities pledged for the amounts deposited with Valley State Bank resulting in \$191,317 of unsecured deposits.

3. Detailed notes on all funds

A. Deposits and investments

A reconciliation of cash and investments as shown in the composition of cash on the summary statement of receipts, expenditures and unencumbered cash on Statement 1 is as follows:

Carrying amount of deposits	\$6,719,161
Total cash	\$6,719,161

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.

K.S.A. 12-1675 limits 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.

Concentration of credit risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits

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 does not use designated "peak periods".

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
Notes to the Financial Statement
For the Year Ended December 31, 2012

3. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Custodial credit risk – deposits (continued)

At December 31, 2012, the District's carrying amount of deposits was \$6,719,161 and the bank balance was \$6,778,071. Two banks held 87% of the District's deposits resulting in a concentration of credit risk. Of the bank balance, \$1,295,874 was covered by federal depository insurance and \$5,290,880 was collateralized with securities held by the pledging financial institutions' agents in the District's name and \$191,317 was unsecured. The District's cash deposits at year-end are as follows:

	Commerce Bank	Western State Bank	First National Bank - Liberal	Valley State Bank	First National Bank - Holcomb
FDIC coverage	\$ 376,931	\$ 250,000	\$ 210,536	\$ 250,000	\$ 208,407
Pledged securities at market value	2,878,508	3,222,319	-	-	-
Total coverage	<u>\$ 3,255,439</u>	<u>\$ 3,472,319</u>	<u>\$ 210,536</u>	<u>\$ 250,000</u>	<u>\$ 208,407</u>
Funds on deposit	<u>\$ 2,719,634</u>	<u>\$ 3,198,177</u>	<u>\$ 210,536</u>	<u>\$ 441,317</u>	<u>\$ 208,407</u>
Funds at risk	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,317</u>	<u>\$ -</u>

Custodial credit risk - investments

Custodial credit risk for an investment is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The District had no investments of this type at December 31, 2012.

4. Other information

A. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B. Post-employment health care benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. There is no cost to the District under this program.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
Notes to the Financial Statement
For the Year Ended December 31, 2012

4. Other information (continued)

C. Compensated absences

The District's policy is to recognize the costs of compensated absences when actually paid.

The District's policies regarding leave pay permits employees to accumulate leave days up to a maximum of 30 days.

Sick leave accumulates at the rate of 8 hours every month up to a maximum of 720 hours. There is no reimbursement upon leaving the District.

D. Deferred compensation plan

The District sponsors a salary reduction profit sharing plan. The plan is a defined contribution plan with no fixed dollar amount of retirement benefits. The participants' retirement benefits are dependent upon employer contributions and salary reduction contributions, earnings of the plan and the time a person is a participant in the plan. Various eligibility requirements are required by the plan as applicable to IRS Section 401(k). The District's contribution may not exceed 6% annually of the eligible participants' compensation for the year.

REGULATORY REQUIRED SUPPLEMENTAL INFORMATION

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012

<u>Fund</u>	<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Over (Under)</u>
<u>Governmental Type Funds</u>			
General	\$ 1,269,499	\$ 697,472	\$ (572,027)
Special Purpose Funds:			
Arkansas River Water Conservation Projects	15,500,000	563,809	(14,936,191)
Water Right Retirement	25,000,000	-	(25,000,000)

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
GENERAL FUND
Statement of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over Under
		Actual	Budget	
Receipts:				
Assessments	\$ 618,088	\$ 620,159	\$ 620,000	\$ 159
Interest	10,847	7,427	25,000	(17,573)
Reimbursed expenses and miscellaneous	60,627	33,474	27,000	6,474
Total receipts	689,562	661,060	\$ 672,000	\$ (10,940)
Expenditures:				
Payroll taxes:				
Payroll taxes	28,768	29,138	\$ 84,000	\$ (54,862)
Administration:				
Computer and equipment maintenance	25,224	17,268	20,000	(2,732)
Director travel and education	18,448	14,287	20,000	(5,713)
Employee travel and education	10,204	11,378	15,000	(3,622)
Insurance and bonds	2,911	24,727	25,000	(273)
Legal publications	3,876	4,275	15,000	(10,725)
Meeting expense	8,491	12,881	20,000	(7,119)
Postage	2,590	1,901	10,000	(8,099)
Rent	4,186	2,711	10,000	(7,289)
Salaries and benefits	410,019	449,954	475,000	(25,046)
Supplies	6,121	12,523	20,000	(7,477)
Telephone	11,278	12,523	15,000	(2,477)
Utilities	4,403	3,428	8,000	(4,572)
Vehicle expense	7,498	8,342	15,000	(6,658)
Miscellaneous	6,970	9,736	25,000	(15,264)
Contingencies	-	-	181,499	(181,499)
Total administration	522,219	585,934	874,499	(288,565)
Water management projects:				
Meter inspection	-	-	15,000	(15,000)
Water quality	-	-	40,000	(40,000)
Research and scientific resources	28,810	8,812	90,000	(81,188)
Weather modification	12,500	5,000	20,000	(15,000)
Total water management projects	41,310	13,812	165,000	(151,188)
Professional services:				
Legal fees	12,801	-	35,000	(35,000)
Lobbyist	21,830	20,957	26,000	(5,043)
Document archival/computer consultants	-	-	10,000	(10,000)
Office maintenance	5,250	5,708	10,000	(4,292)
Accounting	13,025	12,797	15,000	(2,203)
Total professional services	52,906	39,462	96,000	(56,538)
Capital outlay	26,997	29,126	50,000	(20,874)
Total expenditures	672,200	697,472	\$ 1,269,499	\$ (572,027)
Receipts over / (under) expenditures	17,362	(36,412)		
Unencumbered cash, beginning of year	1,035,899	1,053,261		
Unencumbered cash, end of year	\$ 1,053,261	\$ 1,016,849		

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
 ARKANSAS RIVER WATER CONSERVATION PROJECTS FUND
 Statement of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Intergovernmental	\$ -	\$ -	\$ 15,500,000	\$ (15,500,000)
Interest	46,753	35,015	-	35,015
Total receipts	46,753	35,015	\$ 15,500,000	\$ (15,464,985)
Expenditures:				
Water conservation projects:				
Project costs	1,664,986	563,809	\$ 15,500,000	\$ (14,936,191)
Total expenditures	1,664,986	563,809	\$ 15,500,000	\$ (14,936,191)
Receipts under expenditures	(1,618,233)	(528,794)		
Unencumbered cash, beginning of year	7,837,658	6,219,425		
Unencumbered cash, end of year	\$ 6,219,425	\$ 5,690,631		

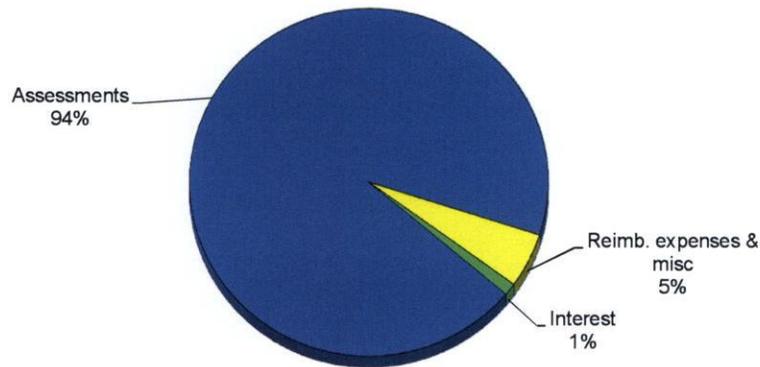
SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
 WATER RIGHT RETIREMENT FUND
 Statement of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Project funds	\$ -	\$ -	\$25,000,000	\$ (25,000,000)
Total receipts	-	-	<u>\$25,000,000</u>	<u>\$ (25,000,000)</u>
Expenditures:				
Water conservation projects:				
Project costs	-	-	\$25,000,000	\$ (25,000,000)
Total expenditures	-	-	<u>\$25,000,000</u>	<u>\$ (25,000,000)</u>
Receipts over expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

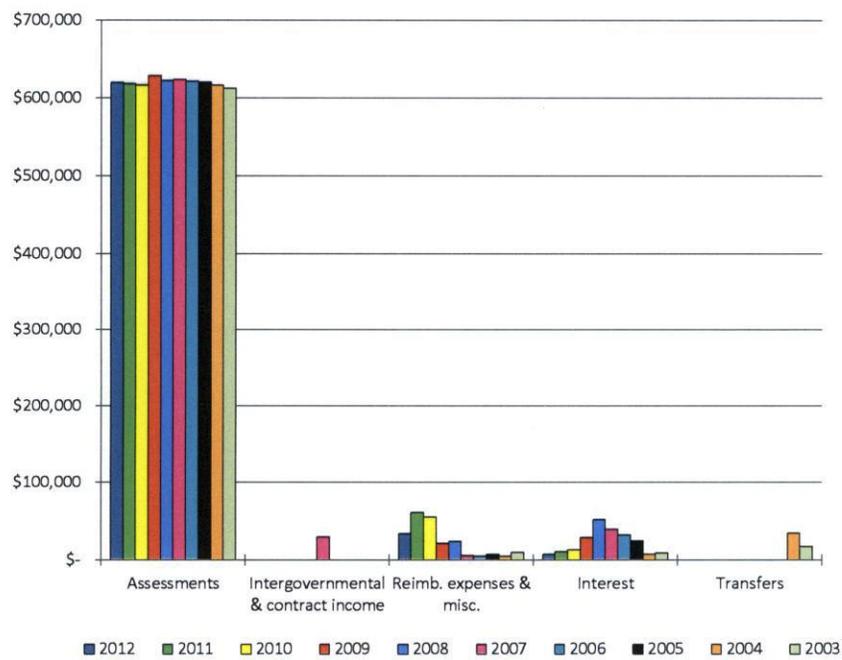
OTHER SUPPLEMENTAL INFORMATION

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
 Comparison of Receipts - General Fund
 Regulatory Basis
 For the Years Ended December 31

2012 Receipts

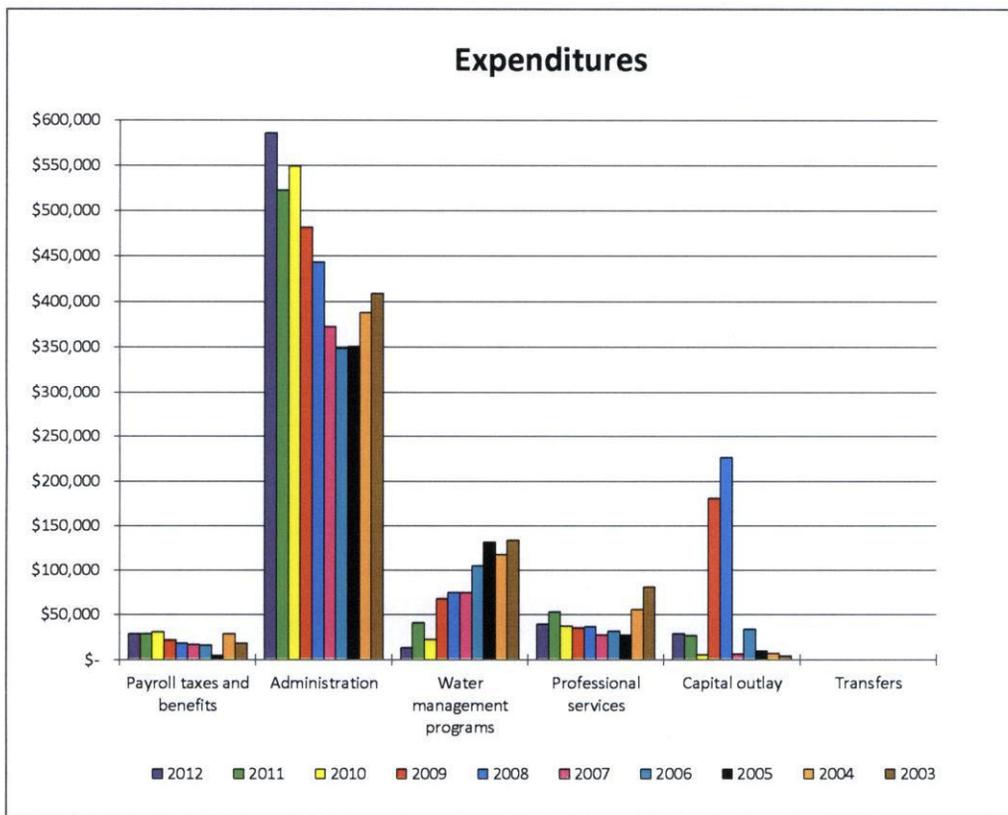
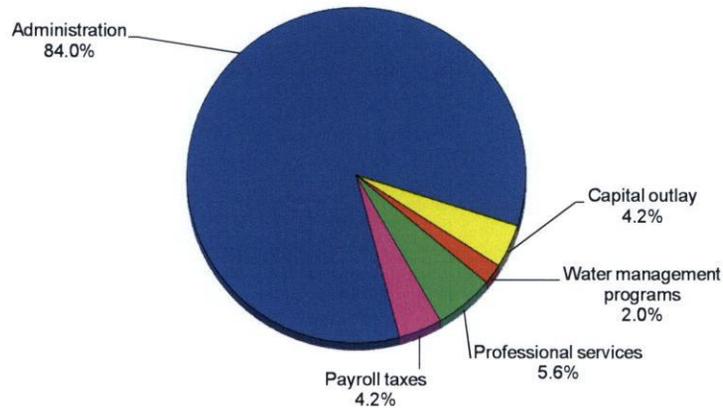


Comparison of Receipts



SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
 Comparison of Expenditures - General Fund
 Regulatory Basis
 For the Years Ended December 31

2012 Expenditures



Note: In 2001, payroll taxes were allocated to the specific programs.