

**High Plains Aquifer  
Southwest Kansas Groundwater Management District No. 3**



# **Southwest Kansas GMD3 Annual Legislative Report 2023**



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# Southwest Kansas GMD3 Annual Legislative Report 2023

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# INTRODUCTION

**Southwest Kansas runs on water.** Many public and private entities are involved in managing water in Kansas. Although most Kansans agree that something more must be done to preserve the Ogallala Aquifer water supply, the main water source for much of western Kansas, any action to conserve and restore this most crucial resource must consider complex issues and divergent viewpoints. The Ogallala is part of a larger aquifer system, the High Plains Aquifer, that extends under eight states in the Great Plains. Measurements of groundwater levels in the Kansas Ogallala/High Plains Aquifer have continued to decline in most western regions since the onset of large-scale irrigation in the 1950's, 1960's and through the local formation of Kansas Groundwater Management Districts (GMDs) in the 1970's. State policy in the Water Appropriations Act (water rights law) requires beneficial use of available Kansas water, while other state policy in the GMD Act (groundwater management law) explicitly requires management of those resources. The local GMD Boards strive to do their part in guiding state and federal policy and support for their management programs. A challenge we face in southwest Kansas is defining acceptable limits that are relaxed enough to avoid unnecessary economic constraints yet restrictive enough to avoid complete loss of supply in the long term. The addition of new water sources will be necessary to continue the stabilization of agriculture and economic growth in rural communities for generations to come.

***50 Year Kansas Water Vision – “locally driven solutions have the best chance of providing long term solutions to water problems.”***

**HB 2279 Annual Report.** During the 2023 legislative session, HB 2279 was passed and signed into law to add annual reporting requirements by each GMD to the GMD Act; the body of laws that provide the legislative authority for locally driven management activities. The requirements of the new law primarily relate to GMDs and support for their efforts by other state water related officials and agencies. This report is intended to meet legislative reporting requirements of the revised GMD Act.

## **GMD3 reporting on the Western Water Conservation Projects (WWCP) Fund.**

In addition to requirements of the GMD Act as amended, the Southwest Kansas Groundwater Management District No. 3 (GMD3) was required by the legislature in Session 2008 SB 534 & subsequent Kansas Water Office (KWO) Contract Number 08-0129 to annually report to legislative budget committees on financials, GMD3 audit and activities of the GMD3 managed WWCP Fund. See last year's GMD3 report linked [HERE](#). The GMD3 Board has elected to combine both reporting documents into this one report package based on the overlapping requirements of the GMD Act as amended last year that must include WWCP Fund financials, audit, and area activities overseen by the District with the addition of the Hamilton County portion of the Upper Arkansas River IGUCA included in the WWCP Fund area that lies between the Stateline and the District boundary. With Board activities and duties in both areas, this consolidated reporting is a significant communication tool for the GMD3 Board concerning all District activities. The consolidation of both annual reports results in streamlining of documents into one package for all concerned. The GMD3 Annual WWCP Fund Report can be extracted and is available as a separate document submittal that is Attachment A.

## GMD3 ACTIVITIES

### Reduction in groundwater use.

State data shows a significant reduction of 13.6%, or about 2 million acre-feet less water use in the District in the last 10 years ending in 2022 compared to the prior 10 years. That is over 651.7 billion less gallons pumped and by far the largest reduction in groundwater use of any area in Kansas. Some of this use reduction has come from declining well pumping capacity as local water levels have dropped. Some use reduction has come from formal voluntary incentivized conservation activities from partnership programs like EQIP, RCPP, CREP, WaterTAP and WCAs. Some use reduction has come from undocumented individual producer conservation decisions. Water conservation economics can vary across projects and regions. According to recent KSU research, between 2007 and 2020, Kansas and the Federal Government spent over \$66 Million to permanently retire 239 wells with a total annual authorized pumping amount of 55,000 acre-feet. Most of these reductions occurred in GMD3. The Board hopes to build on previous program areas and commitments for new and renewed partnerships that improve policy, program collaboration and the funding needed to positively impact our MP efforts to conserve, extend and restore the Ogallala/High Plains Aquifer in GMD3. The table below is District-wide data.

*Between 2007 and 2020, Kansas and the Federal Government spent over \$66 Million to permanently retire 239 wells with a total annual authorized pumping amount of 55,000 acre-feet.*

Number of counties served by GMD3	12
Number of non-domestic water rights	12,500
Authorized annual groundwater use	3.6 million acre-feet
Average annual groundwater use	1.6 million acre-feet
Average annual recharge from precipitation	210,000 acre-feet
Average annual return flow recharge (13%)	208,000 acre-feet returned
Irrigation-enhanced precipitation recharge, inflows from Dakota, streamflow capture.	622,000 acre-feet gains or return from non-consumptive activity
<b>Reduction of acres irrigated (1989 to 2022)</b>	<b>175,257 acres</b>
<b>Approximate annual reduction in storage</b>	<b>500,000 acre-feet</b>
<b>Use reduction the last 10 years (2013 to 2022) vs prior 10-year period</b>	<b>2 million acre-feet (13.6% reduction)</b>

### Official Management Program (MP).

The Management Program (MP) document linked [HERE](#) is an expression of public interest to manage the District groundwater supply. The concerns, policies and methods described in the MP are intended to advise and assist water managers and decision makers in necessary close coordination of activities for wise water management in the uniquely diverse groundwater subregions and settings across southwest Kansas. Agribusiness is the economic engine in the District that contributes over 50% of the Gross Regional Domestic Product. To grow and sustain the Kansas economy, the agriculture industry must import more of what was historically resourced locally and otherwise adapt to a more renewable set of resources, including water supply for the long term. Significant communication and coordination is necessary to consider and adopt wise policies uniquely applied to District aquifer conditions and projects that support the MP.

## Activities in Year 2023.

The following are highlights of MP activities and where they may be found in the MP document:

### Updating the Management Program (MP pages 3 – 13):



- Reviewed MP for possible updates to include elements of HB 2279. A revised MP was sent to the chief engineer December 1<sup>st</sup> and awaiting approval before the Board can conduct a public hearing and consider adoption.
- The Board adopted a policy on annual MP review timing and procedures as recommended in the 2023 legislative post audit report.

### Water rights assistance (MP pages 14 -18):



- **Field Services.** Field services conducted over 2500 field project visits in 2023 with information exchanged with members regarding installed water flowmeters and hefty seal services, MOU compliance inspection services, and well flow verification services. See a sample of our flowmeter assistance activity on YouTube linked [HERE](#).
- **Critical Wells.** Water use permitting, both temporary and permanent, may affect water use and water conservation economics for the applicant and for other members, including domestic well users. GMD3 conducted 576 technical aquifer studies investigating local Critical Well drawdown conditions that may indicate water right impairment concerns and need for additional water project review. These are provided as a service to advise and assist members, including domestic well owners, and state water right administrators on the unique local aquifer supply settings, area prior rights to the dwindling supply, and consideration of prior conservation activities. State administration of water rights treats permanent and temporary pumping rights differently while the net effect to a declining local supply may be similar. So GMD3 reviews each proposal for permanent or temporary pumping change and conducts well drawdown estimates to identify potential concerns using published methods and results available to all concerned, including domestic well owners, so that people have what they need to respond notifications and make the best decisions possible affecting their property and livelihood. GMD3 well drawdown evaluation guidelines are linked [HERE](#).
- **Agency water policy.** The District worked on water policy reform needs with advice and assistance in GMD3 area needs, draft rules and regulations regarding flowmeters, WCAs and well location changes with KDA/DWR and actions that affect the MP.

### Conservation activities with members and partners (MP pages 19 – 27):



- **I-CARE.** The Board in 2023 provided an *Irrigation And Climate Resource Evaluation* (I-CARE) report on each active irrigation well (almost 7000 wells) across SW Kansas assisted by a federal Reclamation Drought Resiliency grant. This report provided each owner or operator with information on their groundwater use compared with average use from similar wells in their subregion of the District. The report provided local aquifer stability information and some conservation resources described in detail on our I-CARE webpage and story map linked [HERE](#) and short information video [HERE](#).

- **Summer I-CARE and Iced Tea meetings.** Six community meetings with over 150 members across the District were held to discuss their I-CARE report mailings, describe data sources and the development of the information, and discuss their aquifer condition and groundwater conservation needs.
- **SmartPLAN development.** Two Grant submittals were developed and submitted for federal and state assistance in updating high priority areas and developing aquifer action plans. One has been submitted to the US Department of the Interior, Bureau of Reclamation, under the WaterSMART Planning and Project Design Grants Program, and one to the Kansas Water Plan Partnership Initiative ( KWPPPI) opportunity. The two efforts seek to leverage activities and costs that the GMD3 board expects to incur in completing requirements in HB2279 for project resources and partner services that support reasonable Board outcomes. The SmartPLAN process will guide the Board of Directors of GMD3 and stakeholders in identifying priority groundwater areas within the District and developing action plans for addressing problems associated with water level declines and worsening water quality in the High Plains Aquifer of southwest Kansas, while avoiding unnecessary economic constraints. This project will be phased in accordance with the PLAN (Prioritize, Learn, Actuate, Navigate) acronym to allow for local stakeholders in each priority area to provide input and help shape their local reasonable action plan that will be implemented.
- **Master Irrigator.** The GMD3 Board passed resolution 2023-2 in support of in-kind cost share funding in a USDA grant submittal to create a statewide Master Irrigator program unique to each of the Kansas GMDs. Collaborating partners include all five of the Kansas GMDs and Kansas State University (KSU). This proposal of up to seven programs will add significant capacity for technical assistance to farmers to implement farming techniques and technologies with a peer-to-peer network for co-learning and data sharing across the agricultural supply chain. The concepts are well supported by NRCS staff; however, the grant proposal was not successful. GMD3 has been encouraged to resubmit the project grant proposal and is seeking other funding sources as well. Meanwhile, the Board has partnered with Kansas Center for Agricultural Resources and the Environment (KCARE) to develop a Master Irrigator Lite event in Ulysses February 22, 2024, to get the program development started.
- **WWCP Fund.** As discussed in the MP, Irrigation ditch companies and surface water associations that have survived since the late 1800s continue to provide resource leadership to the present day. The 2008 Kansas Legislature allowed GMD3 to take possession and administer the western conservation projects (WCP) Fund to assure those public funds would be preserved from legislative budget sweeps for the intended purposes. In doing so, they created a model program that efficiently accomplishes the legislative purposes of the Fund. This also allowed the investment interest on the principal fund to accrue to those activity purposes under the fiduciary care of GMD3 and help local leaders leverage the funds with federal grant opportunities. The WCP Fund became the Western Water Conservation Projects (WWCP) Fund at GMD3 with statutory project limits and goals for the area. The WWCP Fund annual report is Attachment A of this report.

- **CREP.** GMD3 support for the Kansas *Conservation Reserve Enhancement Program* (CREP) partnership continued in 2023 with in-kind staff resources applied to the portion of the CREP Area in GMD3 that included promotional radio spots and member meetings to discuss the CREP opportunity and who may want to voluntarily participate in the retirement of one or more of their irrigation groundwater rights generally located in the most challenging region to do so. The highly productive irrigated sand hill soils region of SW Kansas is considered unsuitable for dryland farming. The amount of in-kind costs reported which GMD3 expended in the CREP area from its general fund activities was \$99,261. Note that the annual program period is different than the GMD3 fiscal (calendar) year.
- **WCAs.** GMD3 continued to review each WCA plan proposal, change of plan, or other proposed aquifer use change to evaluate effects, provide members with technical information and to otherwise support the process of home-grown conservation plans with recommendations. This engagement has provided valuable experience in the importance of completing administrative rule standards needed to effectuate the WCA law in the variety of local groundwater settings across the state and in harmony with other laws and policies affecting GMD MPs.
- **Federal water conservation economics.** [Revenue Rule 65-296](#) states that the IRS will comply with a federal court's decision to allow people who extract groundwater from the Ogallala Aquifer to file a cost depletion deduction for the loss of groundwater as it declines. The deduction is only available for the Ogallala region.

From this federal tax policy, the Board of GMD3 pursued federal policy reform to provide a groundwater conservation credit that pays to preserve groundwater equity and valuation rather than paying as a personal property deduction when values are depleted. There is significantly more to learn about Water Conservation Economics to inform all on actual costs and benefits in meeting the long-term needs of landowners and rural communities that depend on irrigated agriculture. The board spent considerable resources to develop new partnerships and planning in the pursuit of better voluntary compensated water conservation opportunities following the MP GIVE (Groundwater Incentivized Voluntary Easement) program and working with collaborators and partners in other states. Local Q-stable aquifer budgeting and programs targeting partial groundwater easement conservation can preserve irrigated land valuations for our communities while moving forward to narrow the gap in stable groundwater supplies. The federal policy work of the Board with partners and associations in other western states received bipartisan support from several state delegations and Capitol Hill. The results include *The Voluntary Groundwater Conservation Act of 2023* introduced in [HR4902](#) & [S2250](#) that GMD3 helped develop and we are promoting the proposed policy to fellow groundwater managers and their delegations across the western US.

- Creates a new Groundwater Conservation Easement Program at USDA.
- Allows NRCS to reimburse transaction costs to 5 percent of federal share.
- Guarantee long-term management flexibility for a producer.
- Ensure that farmers are fairly compensated for their conservation.

## Models, Research and Development (MP pages 28 – 29):



- **GMD3 groundwater model updates.** Working with the KGS modeling team at KU to complete the updated GMD3 Groundwater Model with management scenarios and a user interface tool to be completion by April 2024. The District is paying half of the cash development cost, and a project funding cost share partnership is under way through a separate KU – KWO contract.
- **Forage productivity modelling to inform water conservation economics.** Water conservation economics uses the economics of supply and demand to understand the costs of sustaining water resources benefits. In a 2015 look at *The Economic Importance Of Water Availability In Kansas* linked [HERE](#), the Board and partners learned of the projected economics under a constrained future groundwater supply and the inevitable big future costs to all as either lost opportunity cost or investments needed to better manage water supply. Each proposed SmartPLAN partnership included a request to fund KSU forage productivity modeling to inform the discussions of added pumping limits or other actions that may limit the success of the region’s economic hubs of feedlots and dairies who rely on locally sourced irrigated forage production.
- **Voluntary water conservation reporting.** Under the management rule to measure what matters, members must report groundwater use. In a culture of conservation, it matters when members act to conserve groundwater. Voluntary conservation reporting activity can help us better understand and fill the void of data to inform partners on what conservation program improvements will yield desired results. This online platform is still under development with KGS help at KU. When completed, the platform will further ways to eliminate “use it or lose it” water management concerns that remain implied in federal and state programs. This activity is expected to improve water policy outcomes, provide appropriate member recognition, inform future program development and assist in due consideration of past conservation in water right administrative and action plan reviews.

## Ark River basin management and water quality concerns (MP pages 30 – 38):



- In 2023, GMD3 lead the development of the Upper Arkansas Watershed Group. This effort builds local leadership that supports the MP for improving management of the natural water infrastructure and investments in the GMD3 Upper Ark River management area. This area provides the largest surface water recharge source and offers the greatest challenge and opportunity for added managed aquifer recharge (MAR) in the District. The 501(c)3 non-profit organization provides those with an interest in water and land use practices along the upper Arkansas River basin an opportunity to collaborate on ideas and projects that further the mission of improving and protecting the quality and quantity of the Arkansas River and connected aquifers for the sustainability of life in the basin. The GMD3 Board has supported this activity to add leadership and values of the natural infrastruxture beyond the immediate powers and duties of the MP and conjuntive management of the surface water and groundwater.



- The city of Deerfield drinking water was addressed working from prior studies. GMD3 recognized the need and provided advice and assistance to Deerfield in seeking a no cost share federal WaterSMART grant. Assistance was also provided in a state KWPPi submittal for the same water systems planning purpose.
- The GMD3 continued seeking partnerships with irrigation ditch companies in the WWCP Fund area to identify surface water and groundwater systems use efficiency and conjunctive management needs to improve conservation of river water deliveries from Colorado and management strategies that will help address water quality concerns in the priority area of the Upper Ark River IGUCA while also considering historical sources of aquifer recharge when water quality and wet system conditions provide groundwater management options.
- Requested a USGS proposal from the Science Centers in Colorado and Kansas to further delineate the source of Stateline aquifer water quality change that can eventually add to groundwater quality decline crisis in the WWCP Fund area. Funding for that investigation outside the District is yet to be identified.
- Assisted the KGS mineralization study and other requests by collecting river and groundwater quality samples and corresponding with well owners in study areas.
- Collaborated with KDHE/Bureau of Water on their NWQI Planning grant submittal to NRCS that was awarded. Collaboration includes work in the GMD3 Upper Ark GMA mineral intrusion area.

### **Outreach, Advocacy and Education (MP pages 39 – 40)**



- The Board financed travel and attendance for two types of meetings and conferences: 1) meetings that informed state and federal policy makers on appropriate groundwater management needs and methods, and 2) meetings to build collaborative working relationships needed to accomplish and improve the MP.
- The Board continued sustaining support of the Kansas Water Congress (KWC) in general agreement with the aspirations to build water policy consensus as a statewide bipartisan non-government water resources association. GMD3 Board members and staff worked to helping organize a steering committee existing KWC Board under the 501(c)6 non-profit articles of corporation to encourage the filling most of the 29 KWC board seats and strengthen the Kansas voice at the federal level.
- The board provides the resources each year to organize the annual Kansas GMDs legislative retreat in Topeka for mutual MP benefits of collaboration between leaders serving their respective GMDs and meeting with members of the Kansas legislature.
- The GMD3 I-CARE team presented its activity at the governor's water conference in Manhattan in November.
- GMD3 staff support area communities and schools to assist teachers and their STEM (Science Technology Engineering and Math) curriculum in educating students on groundwater, its importance to the region and its many benefits.

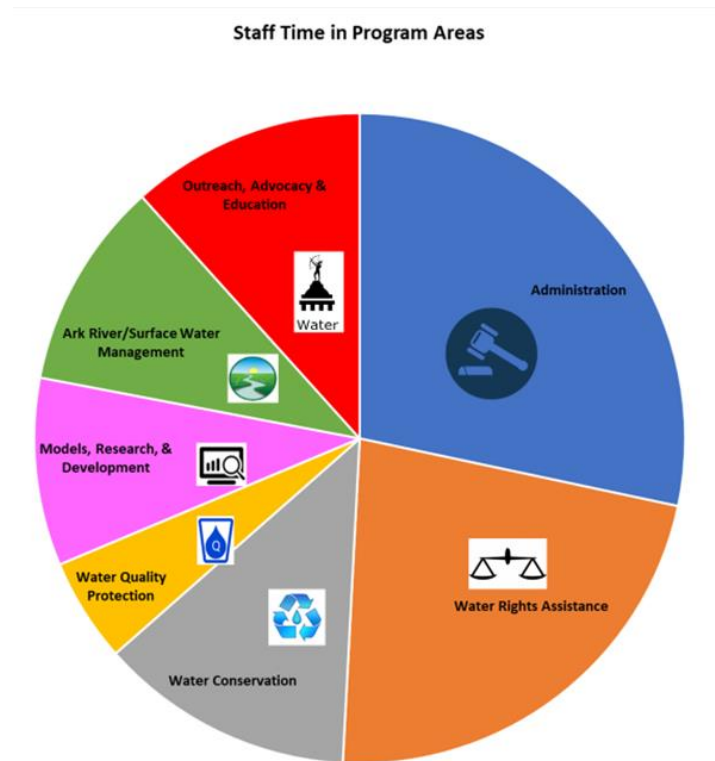
## EXPLANATION OF EXPENDITURES

**Staff time.** GMD3 has an experienced team of six permanent and four to six seasonal employees. Salaries and benefits comprised a significant portion of the GMD3 budget expenditures in 2023 for Board capacity to implement the MP. The pie chart at right graphically illustrates the relative staff time spent in each of the activity areas and budget classes. The Administration portion of the graphic represents hours operating the governing body activities that include assessments, exemptions, accounting, meetings, office, grounds and other unclassified activities.

**Lawful use and conservation.** Advising and assisting the Kansas Department of Agriculture's Chief Engineer and staff in the administration of water rights is the cornerstone activity of the MP. The Board engaged agency evaluation and decision processes as the party of the official MP to advise and assist state water appropriation and use change decisions. The state has permitted water rights, and GMD3 members have perfected them as private property rights to the annual use of up to 3.6 million acre-feet from available local sources. Temporary permits continue to be issued in over appropriated areas without a requirement of offsets from existing property rights. Recent annual use has been about 1.6 million acre-feet. There was about 2 million acre-feet less pumping in the District in the last decade ending in 2022 than in the previous decade. Over 176,000 acres of irrigated land have been converted to dryland since 1989. This all indicates a dramatic reality that big water use reductions are occurring that overshadow use reductions in other areas. Equally significant economic change is under way in the farms, factories, and communities across Southwest Kansas.

**Conservation.** Many field services and I-CARE reports advised and assisted groundwater users and officials whose decisions directly impact projects, communities, and the MP. Historically, the value of a water right in property valuation was in its use. There must be more value made available to members for groundwater non-use of their property right. So significant resources will continue to go to developing policy and funding options for our members for alternate sources of supply and voluntary compensated groundwater conservation.

**Water Quality.** Most board resources applied to water quality concerns targeted the GMD3 Upper Ark River Groundwater Management Area (GMA) where the groundwater is recharged from Ark river flows containing tons of uranium and other minerals that degrade drinking water and agricultural water. A federal grant helped us form the Upper Arkansas River Watershed Group. Additional work supported the KGS and Bureau of Reclamation by collecting water quality samples to inform owners and support research. GMD3 assisted KDHE's National Water Quality Initiative grant to develop water quality mitigation strategies in the Upper Ark Groundwater Management Area of the MP.



## 2023 FINANCES - GENERAL FUND

### Income and Expenditures

The table below is from district records subject to completion of audit and board acceptance.

SCHEDULE 2

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, 2023  
With Comparative Actual Totals for the Prior Year Ended December 31, 2022

		Current Year		Variance
	Prior Year	Actual	Budget	Over
	Actual			(Under)
Receipts:				
Assessments	\$ 758,483	\$ 828,786	\$ 833,332	\$ (4,546)
Intergovernmental:				
Federal	-	112,890	-	112,890
Local	25,788	-	-	-
Interest	4,423	21,500	3,000	18,500
MOU Contracts	13,172	13,656	13,000	656
Miscellaneous	3,500	20,650	5,000	15,650
Total receipts	805,366	997,482	\$ 854,332	\$ 143,150
Expenditures:				
Conservation programs	69,059	81,296	\$ 65,000	\$ 16,296
Salaries and benefits	651,513	701,438	657,500	43,938
Office expense	91,200	97,790	115,000	(17,210)
Education and advocacy	109,326	128,342	110,000	18,342
Contractual services	16,321	46,756	60,000	(13,244)
Capital outlay	5,842	-	5,000	(5,000)
Contingencies	-	-	36,056	(36,056)
Total expenditures	943,261	1,055,622	\$ 1,048,556	\$ 7,066
Receipts under expenditures	(137,895)	(58,140)		
Unencumbered cash, beginning of year	539,434	401,539		
Unencumbered cash, end of year	\$ 401,539	\$ 343,399		

Detailed accounting of general fund expenditures and income are itemized in Attachment C.

## **Assets**

The following are the insured property assets of the District:

- A furnished office building located at 2009 E. Spruce Street in Garden City
- 2013 Ford F150
- 2017 Ford F150
- 2021 Chevy Silverado
- Polaris ATV
- Two standard non-intrusive water flowmeters

## **Audit**

The 2022 audit is Attachment B and is posted at the Department of Administration (DOA) [HERE](#). The 2023 audit will be available upon request once the Board accepts the results expected in February and subsequently posted on the Kansas DOA municipal miscellaneous audits webpage.

## GENERAL FUND BUDGET FOR 2024

SW Kansas Groundwater Management District No. 3	Adopted Budget 2024
<b>Receipts:</b>	
*Assessment Total	\$833,332
Interest	\$3,000
MOU Contract Income	\$13,000
Transfers from other funds	
Misc. Income	
<b>Total Receipts</b>	<b>\$849,332</b>
<b>Expenditures:</b>	
Conservation Programs	\$155,000
Salaries and Benefits	\$645,000
Office Expense	\$115,000
Education and Advocacy	\$140,000
Contractual Services	\$60,000
Capital Outley	\$35,000
Contingencies	\$69,327
<b>Total Expenditures</b>	<b>\$1,219,327</b>

**Other Board funds** that existed in 2023 and carried forward for 2024 are as follows:

**WWCP Fund.** The Board considered the public interest and good neighbor activity of the MP to maintain as a fund separate from the General Fund, a WWCP Fund administered by the District up to the amount of \$15,500,000. This allows the projects and fiduciary duties provided for in Session 2008 SB 534 & accepted by the District subject to a Kansas Water Office (KWO) Contract Number 08-0129. The WWCP Fund ended FY 2023 with \$364,770.73 in cash and investments. The annual report for this fund is attached to this 2023 GMD3 Legislative Annual Report as Attachment A.

**Water Rights Retirement Fund.** The Board further considered the public interest of the MP to have a Water Rights Retirement Fund up to the amount of \$25,000,000 as a separate fund from the District General fund and administered by the District for the purpose of receiving revenue from any source in the form of gifts, grants, or allocations for the retirement of water rights within the District in accordance with the official MP. That fund is unfunded.

**Kansas Aqueduct Project Fund.** The Board established the Kansas Aqueduct Project Fund up to the amount of \$25,000,000 as a separate fund from the District General fund and administered by the District for the purpose of receiving revenue from any source in the form of gifts, grants, or allocations to be used to develop a Kansas Aqueduct Project in accordance with the official MP. The Kansas Aqueduct Project fund is unfunded.

**Federal Proceeds Fund.** The Board also adopted a Federal Proceeds Fund up to the amount of \$25,000,000 as a separate fund from the District General fund and administered by the District. The Federal Proceeds fund is unfunded.

### **Federal Grant Assistance in 2023.**

Two federal Department of Interior grants administered by GMD3 supported programs for the District in 2023. The following provides the revenue to the GMD3 general fund from each source, subject to audit. This accounting does not provide the in-kind contributions by GMD3 under each grant.

3:22 PM

01/17/24

Accrual Basis

### **SW KS GROUNDWATER MGMT**

#### **Profit & Loss by Class**

January through December 2023

	<u>ICARE Grant</u>	<u>Watershed Grant</u>
<b>Ordinary Income/Expense</b>		
<b>Income</b>		
<b>Grant Income</b>	53,202.52	59,687.50
<b>Interest</b>	0.00	0.00
<b>Miscellaneous Income</b>	0.00	0.00
<b>MOU Income</b>	0.00	0.00
<b>County Assessments</b>	0.00	0.00
<b>Total Income</b>	<u>53,202.52</u>	<u>59,687.50</u>
<b>Gross Profit</b>	53,202.52	59,687.50
<b>Expense</b>		
<b>Water Management</b>	66,687.29	0.00
<b>Administration</b>	4,937.70	6,898.05
<b>Miscellaneous</b>	260.00	0.00
<b>Payroll Expenses</b>	336.00	464.17
<b>Professional Services</b>	0.00	8,252.00
<b>Total Expense</b>	<u>72,220.99</u>	<u>15,614.22</u>
<b>Net Ordinary Income</b>	<u>-19,018.47</u>	<u>44,073.28</u>
<b>Net Income</b>	<u>-19,018.47</u>	<u>44,073.28</u>



# ATTACHMENT A: WWCP FUND REPORT

## Western Water Conservation Projects Fund

### Year 2023 activities

of  
Southwest Kansas Groundwater Management District 3(GMD3)  
Session 2008 SB 534 proviso & Kansas Water Office (KWO)  
Contract Number 08-0129

#### **WWCP Fund Finances summary**

The GMD3 Western Water Conservation Projects (WWCP) Fund began the year 2023 with \$347,103.11 and ended the year with \$364,770.73. There was one expenditure in 2023 from the WWCP Fund of \$15,750.00 that was final payment to the South Side Ditch Association to wrapped up the Southside Phase II project and there was one CD reinvestment of \$306,800.41 which included past CD interest, leaving \$57,970.32 in cash to begin 2024. There was a total of \$13,323.73 in interest income to the Fund. The final related expenditure to be paid in 2024 will be a GMD3 3% fiduciary service charge from 2023 actual project expenditures that should be \$472.50 to be paid to the GMD3 general fund at the completion of the annual audit that will be included in the 2024 annual report.

#### **WWCP Fund Activity**

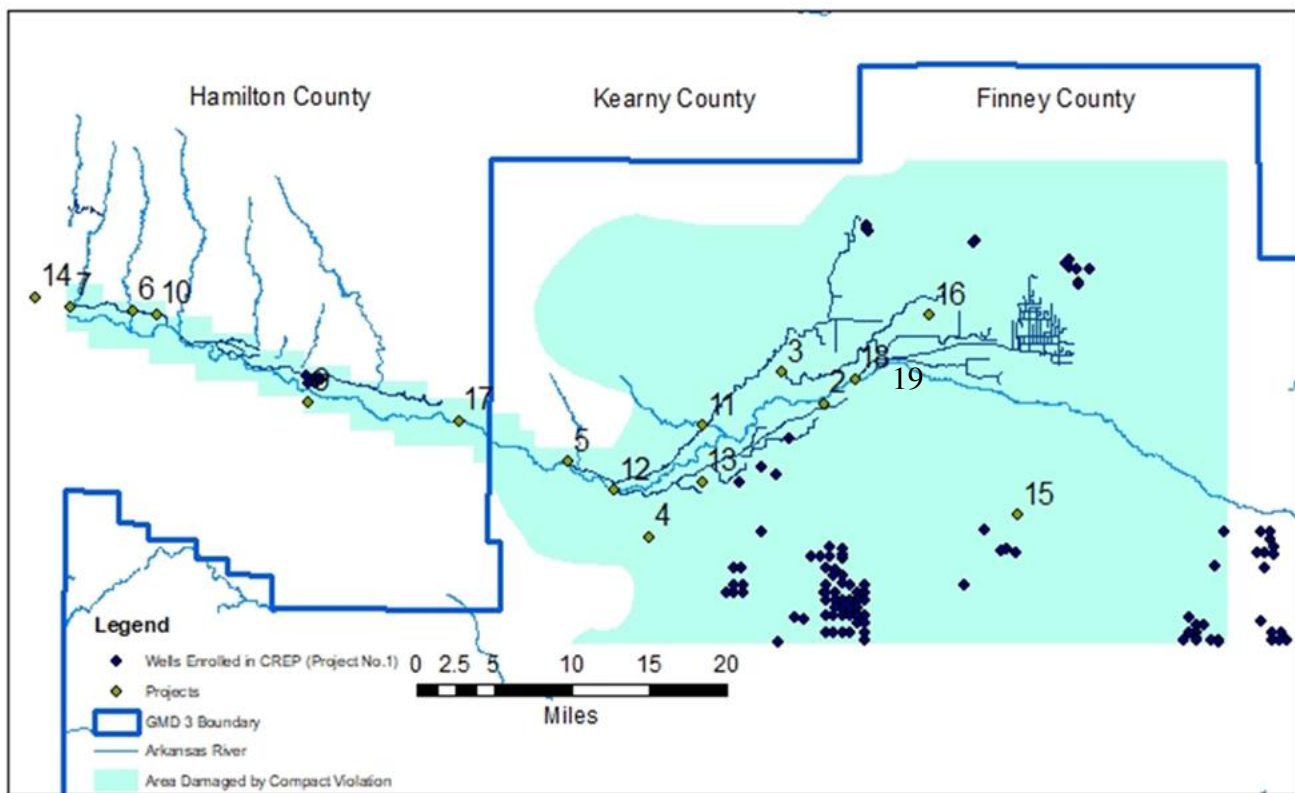
##### **2023 Advisory Committee meetings.**

The Ark River Litigation Funds Advisory Committee (Advisory Committee) is chaired by Randy Hayzlett who farms and ranches in the Fund area. A 26 year past ARCA commissioner for Kansas on the interstate compact with Colorado, current Kansas Water Authority member and GMD3 Board surface water director, chairman Hayzlett conducts advisory committee meetings open to the public and generally located at the GMD3 office in Garden City, with those attending either in person or by remote zoom link. The committee vice chair is Troy Dumler, manager of The Garden City Company with farms along the Great Eastern Ditch. Vice chair Dumler is current senior ARCA commissioner for Kansas. Regular meetings are conducted when active projects are under way. However, no active projects were under way in 2023 and only two advisory committee meetings were conducted on March 30<sup>th</sup> and August 30<sup>th</sup>. A monthly GMD3 Board review of WWCP Fund finances occurred. All approved minutes are posted and linked [HERE](#).

##### **Legislative goals for the GMD3 managed WWCP Fund:**

1. *Maximize general public good (public interest).*
2. *Maximize efficiency of call water for ditch irrigation.*
3. *Maximize benefits of high river flows to improve recharge.*
4. *Mitigate water quality problems in surface and groundwater.*
5. *Reduce consumptive use of water to help stabilize the system.*
6. *Improve the stability of the hydrologic system for irrigators.*
7. *Address compact compliance.*

**WWCP Fund area.** The process to create the WWCP Fund in 2008 is an enabling model for securing dedicated regional water project funding locally to leverage with local leadership and federal resources as a value-added state investment to meet local water project priorities. In this case, WWCP Fund activities return a portion of the cash damage award from KS vs. CO Supreme Court Original Action #105 to the area where the damages were quantified. The numbers on the three-county map below indicate the location of projects supported by this fund while under the fiduciary care of GMD3 and the Upper Ark River Litigation Funds Advisory Committee. Last year's report is linked [HERE](#).



**Projects.** The locally managed Fund has been a catalyst to enable many local water-related projects affecting the Blue area above. In 2023, no projects were initiated or under way. Two completed projects wrapped up final payment and one long standing authorized project will be further developed.

- 1) **South Side Ditch Phase II completed project (Generally located at 13 on the map above).** A final payment on Phase II of the South Side Ditch Association project was made to close out that project.
- 2) **Farmers Ditch Headgate and ditch lining (18).** The Farmers Ditch Headgate and ditch lining project was completed in 2021 and is ready to be closed out pending approval by the Water Office of a final payment to the project engineer - Kaw Valley Engineering.
- 3) **Garden City Ditch measuring station (19).** The replacement of the Garden City Ditch flow measuring station was authorized prior to funds being moved to GMD3 and carried forward by grant agreement with the KWO. The authorized project is pending additional development of Ditch flow capacity restoration and delivery agreement with the Finney County Water Users Association (Farmer Ditch).

**GMD3 annual audit.** The 2023 approved audit of GMD3 financial position was not available at the time of this report. The 2022 audit is linked [HERE](#) and the 2023 audit will be made available immediately upon acceptance by the GMD3 Board, including to the KWO, and as a supplemental attachment to the 2024 GMD3 Legislative Report.

# **ATTACHMENT B: 2022 FINANCIAL AUDIT**

SOUTHWEST KANSAS GROUNDWATER  
MANAGEMENT DISTRICT NO. 3

REGULATORY BASIS FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2022

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3  
REGULATORY BASIS FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the audit of the Financial Statement**

#### ***Opinions***

We have audited the regulatory basis fund summary statement of receipts, expenditures and unencumbered cash of the Southwest Kansas Groundwater Management District No. 3 (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statement.

#### Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of December 31, 2022, 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* as described in Note 1.

#### 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 section of our report, the accompanying financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2022, or changes in financial position and cash flows thereof for the year then ended.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the District, 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.

#### 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 District on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 and pervasive.

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***Responsibilities of Management for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the *Kansas Municipal Audit and Accounting Guide* to demonstrate compliance with the financial reporting requirements of the State of Kansas's regulatory basis of accounting and budget laws. 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 Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 GAAS and the *Kansas Municipal Audit and Accounting Guide* 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 statement.

In performing an audit in accordance with GAAS and the *Kansas Municipal Audit and Accounting Guide*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 District'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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.

### ***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 that collectively comprise the District's financial statement. 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 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 financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statement as a whole, on the basis of accounting described in Note 1.

### ***Other Information***

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statement of the District, as of and for the year ended December 31, 2021, (not presented herein), and have issued our report thereon dated January 25, 2022, which contained an unmodified opinion on the financial statement. The 2021 financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link: <https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services/municipal-audits>. The 2021 actual column (2021 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2022, (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the financial statement. Such 2021 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 2021 financial statement. The 2021 comparative information was subjected to the auditing procedures applied in the audit of the 2021 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2021 financial statement or to the 2021 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 comparative information is fairly stated in all material respects in relation to the financial statement as a whole for the year ended December 31, 2021, on the basis of accounting described in Note 1.

Management is responsible for the other information included in the financial statement. The other information comprises the other supplemental information section (Graphs 1 and 2 as listed in the table of contents) but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based

Board of Directors  
Southwest Kansas Groundwater  
Management District No. 3  
Page 4

on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Lewis, Hooper + Dick, LLC*

LEWIS, HOOPER & DICK, LLC

January 30, 2023

## STATEMENT 1

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3  
 Summary Statement of Receipts, Expenditures and Unencumbered Cash  
 Regulatory Basis  
 For the Year Ended December 31, 2022

Fund	Unencumbered Cash 01-01-22	Receipts	Expenditures	Unencumbered Cash 12-31-22	Outstanding Encumbrances and Payables	Treasurer's Cash 12-31-22
<u>Governmental Type Funds</u>						
General	\$ 539,434	\$ 805,366	\$ 943,262	\$ 401,538	\$ 5,500	\$ 407,038
Special Purpose Funds:						
Arkansas River Water						
Conservation Projects	370,603	2,288	25,788	347,103	-	347,103
Water Rights Retirement	-	-	-	-	-	-
Kansas Aqueduct Project	-	-	-	-	-	-
Federal Proceeds	-	-	-	-	-	-
Total Reporting Entity (Memorandum only)	<u>\$ 910,037</u>	<u>\$ 807,654</u>	<u>\$ 969,050</u>	<u>\$ 748,641</u>	<u>\$ 5,500</u>	<u>\$ 754,141</u>

## Composition of cash:

General Fund:	
Commerce Bank:	
Checking account	\$ 32,416
Repurchase agreements	145,133
Certificates of deposit	<u>229,489</u>
Total General Fund	<u>407,038</u>
Arkansas River Water Conservation Projects Fund:	
Commerce Bank:	
Checking account	25,000
Repurchase agreements	27,103
Certificates of deposit	<u>295,000</u>
Total Arkansas River Water Conservation Projects Fund	<u>347,103</u>
Total cash	<u>\$ 754,141</u>

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, 2022

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.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3  
Notes to the Financial Statement  
For the Year Ended December 31, 2022

1. Summary of significant accounting policies (continued)

C. Regulatory basis fund types (continued)

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 funds etc...).

Trust 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 – used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, 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.

State statutes authorize the District to invest idle funds in U.S. government securities, temporary notes, no-fund warrants, repurchase agreements and the Kansas Municipal Investment Pool. Investments of the District are stated at fair value which equals cost. The aggregate value of the investments, including certificates of deposit, at December 31, 2022, is \$696,725.

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 and reimbursements

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, 2022

1. Summary of significant accounting policies (continued)

G. 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, 2022.

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.

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.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3  
Notes to the Financial Statement  
For the Year Ended December 31, 2022

2. Stewardship, compliance and accountability (continued)

B. Compliance with finance related legal and contractual provisions

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Kansas Department of Administration's Chief Financial Officer and interpretation by the County Attorney and the legal representative of the District.

There are no known material violations of finance related legal and contractual provisions including Kansas statutes, regulations, contracts, or other agreements for the year ended December 31, 2022.

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	\$ 581,905
Repurchase agreements - Treasury obligations	172,236
Total cash	<u>\$ 754,141</u>

At December 31, 2022, the District had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)		Rating
		Less than 1	1-2	
Repurchase agreements - Treasury obligations	\$ 172,236	\$ 172,236	\$ -	N/A
Total fair value	<u>\$ 172,236</u>	<u>\$ 172,236</u>	<u>\$ -</u>	

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. The rating of the District's investments is noted above.

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. The District's allocation of investments as of December 31, 2022, is as follows:

Investments	Percentage of Investments
Treasury obligations	100%

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3  
Notes to the Financial Statement  
For the Year Ended December 31, 2022

3. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

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".

At December 31, 2022, the District's carrying amount of deposits was \$581,905 and the bank balance was \$574,489. One bank held 100% of the District's deposits resulting in a concentration of credit risk. Of the bank balance, \$300,000 was covered by federal depository insurance, \$274,489 was collateralized with securities held by the pledging financial institution's agents in the District's name. The District's cash deposits at year end are as follows:

	Commerce Bank
FDIC coverage	\$ 300,000
Pledged securities at market value	593,739
Total coverage	<u>\$ 893,739</u>
Funds on deposit	<u>\$ 574,489</u>
Funds at risk	<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.

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.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3  
Notes to the Financial Statement  
For the Year Ended December 31, 2022

4. Other information (continued)

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 this financial statement.

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. The premium is paid in full by the insured. There is no cost to the District under this program.

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. The District's contributions related to this plan were \$25,926 for the year ended December 31, 2022.

E. Subsequent events

Subsequent to year end, the Board agreed to pay \$5,000 to the Kansas Water Congress for the annual membership fee and \$14,632 to the Kansas Water Congress for the National Water Resource Association (NWRA) membership dues.

REGULATORY REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3  
Summary of Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2022

Fund	Certified Budget	Expenditures Chargeable to Current Year Budget	Variance Over (Under)
Governmental Type Funds:			
General	\$ 1,181,474	\$ 943,262	\$ (238,212)
Special Purpose Funds:			
Arkansas River Water Conservation Projects	15,500,000	25,788	(15,474,212)
Water Rights Retirement	25,000,000	-	(25,000,000)
Kansas Aqueduct Project	25,000,000	-	(25,000,000)
Federal Proceeds	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, 2022  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2021

		Current Year		Variance
	Prior Year	Actual	Budget	Over (Under)
Receipts:				
Assessments	\$ 755,859	\$ 758,483	\$ 761,445	\$ (2,962)
Intergovernmental:				
Federal	18,718	-	-	-
Local	41,627	25,788	45,000	(19,212)
Interest	3,640	4,423	10,000	(5,577)
Reimbursed expenses and miscellaneous	29,436	16,672	15,000	1,672
Total receipts	849,280	805,366	\$ 831,445	\$ (26,079)
Expenditures:				
Payroll taxes	36,063	31,316	\$ 47,500	\$ (16,184)
Administration:				
Computer and equipment maintenance	28,024	27,852	35,000	(7,148)
Director travel and education	14,613	26,026	30,000	(3,974)
Employee travel and education	11,250	38,860	30,000	8,860
Insurance and bonds	37,077	21,913	30,000	(8,087)
Legal and public notices	1,992	3,621	7,500	(3,879)
Meeting expense	9,492	10,980	20,000	(9,020)
Postage	782	2,632	4,000	(1,368)
Rent, buildings and grounds	10,274	3,532	5,000	(1,468)
Salaries and benefits	604,232	620,200	640,000	(19,800)
Supplies	7,021	12,045	15,000	(2,955)
Telephone	6,951	7,380	12,500	(5,120)
Utilities	3,773	4,306	8,000	(3,694)
Vehicle expense	4,219	6,379	10,000	(3,621)
Miscellaneous	2,245	3,630	13,000	(9,370)
Contingencies	-	-	16,474	(16,474)
Total administration	741,945	789,356	876,474	(87,118)
Water management:				
Meter inspection / technology	-	-	5,000	(5,000)
Water quality contract labor	-	-	5,000	(5,000)
Water conservation projects	-	107	35,000	(34,893)
Research (hydrologic studies)	13,030	51,349	50,000	1,349
Experts and consultants	-	11,224	20,000	(8,776)
Total water management	13,030	62,680	115,000	(52,320)
Professional services:				
Legal fees	-	-	40,000	(40,000)
Lobbyist	16,685	15,633	20,000	(4,367)
Kansas Water Congress	19,205	14,205	20,000	(5,795)
Document archival	2,249	2,509	2,500	9
Office maintenance	5,483	5,400	10,000	(4,600)
Accounting	16,472	16,321	20,000	(3,679)
Total professional services	60,094	54,068	112,500	(58,432)
Capital outlay	36,334	5,842	30,000	(24,158)
Total expenditures	887,466	943,262	\$ 1,181,474	\$ (238,212)
Receipts under expenditures	(38,186)	(137,896)		
Unencumbered cash, beginning of year	577,620	539,434		
Unencumbered cash, end of year	\$ 539,434	\$ 401,538		

## SCHEDULE 2

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, 2022  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2021

		Current Year		Variance
	Prior	Actual	Budget	Over
	Year			(Under)
Receipts:				
Intergovernmental:				
Federal	\$ 298,298	\$ -	\$ 15,500,000	\$ (15,500,000)
Interest	1,632	2,288	-	2,288
Total receipts	<u>299,930</u>	<u>2,288</u>	<u>\$ 15,500,000</u>	<u>\$ (15,497,712)</u>
Expenditures:				
Water conservation projects:				
Project costs	<u>901,228</u>	<u>25,788</u>	<u>\$ 15,500,000</u>	<u>\$ (15,474,212)</u>
Total expenditures	<u>901,228</u>	<u>25,788</u>	<u>\$ 15,500,000</u>	<u>\$ (15,474,212)</u>
Receipts under expenditures	(601,298)	(23,500)		
Unencumbered cash, beginning of year	<u>971,901</u>	<u>370,603</u>		
Unencumbered cash, end of year	<u>\$ 370,603</u>	<u>\$ 347,103</u>		

## SCHEDULE 2

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3  
 WATER RIGHTS RETIREMENT FUND  
 Statement of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2022  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2021

		Current Year		Variance
	Prior Year	Actual	Budget	Over (Under)
Receipts:				
Project funds	\$ -	\$ -	\$ 25,000,000	\$ (25,000,000)
Total receipts	-	-	<u>\$ 25,000,000</u>	<u>\$ (25,000,000)</u>
Expenditures:				
Water rights retirement:				
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>		

## SCHEDULE 2

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3  
 KANSAS AQUEDUCT PROJECT FUND  
 Statement of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2022  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2021

		Current Year		Variance
	Prior Year	Actual	Budget	Over Over (Under)
Receipts:				
Project funds	\$ -	\$ -	\$ 25,000,000	\$ (25,000,000)
Total receipts	-	-	<u>\$ 25,000,000</u>	<u>\$ (25,000,000)</u>
Expenditures:				
Kansas aqueduct:				
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>		

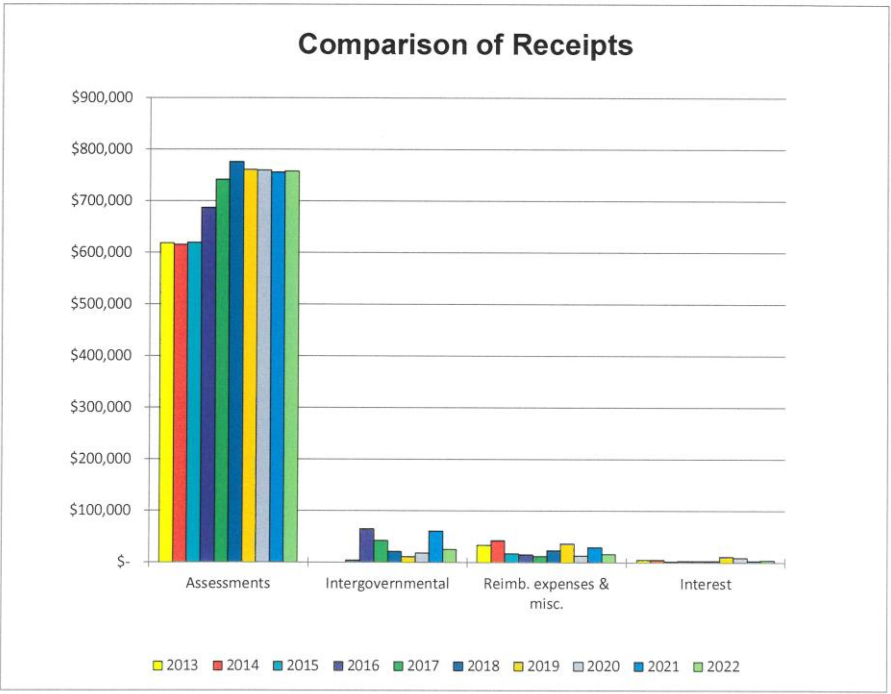
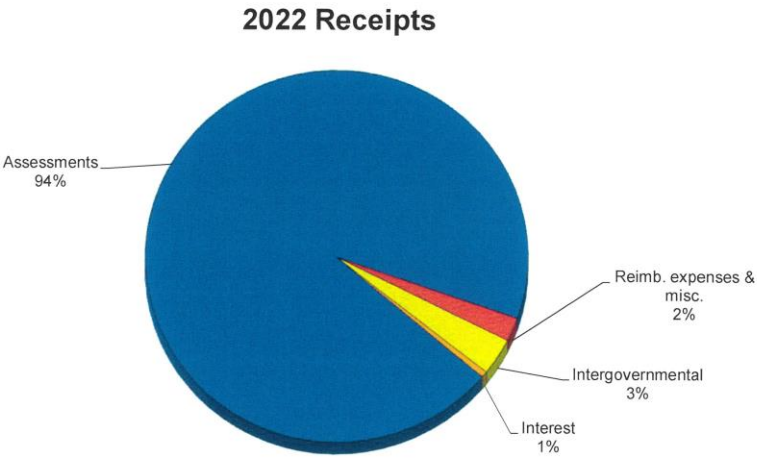
## SCHEDULE 2

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3  
 FEDERAL PROCEEDS FUND  
 Statement of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2022  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2021

		Current Year		Variance
	Prior Year	Actual	Budget	Over (Under)
Receipts:				
Intergovernmental:				
Federal	\$ -	\$ -	\$ 25,000,000	\$ (25,000,000)
Total receipts	-	-	<u>\$ 25,000,000</u>	<u>\$ (25,000,000)</u>
Expenditures:				
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>		

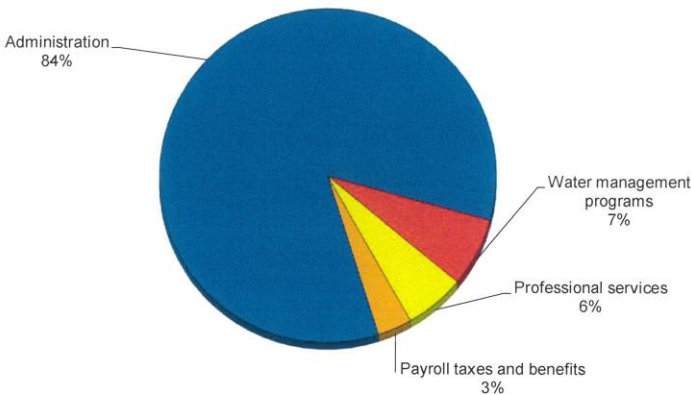
OTHER SUPPLEMENTAL INFORMATION

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

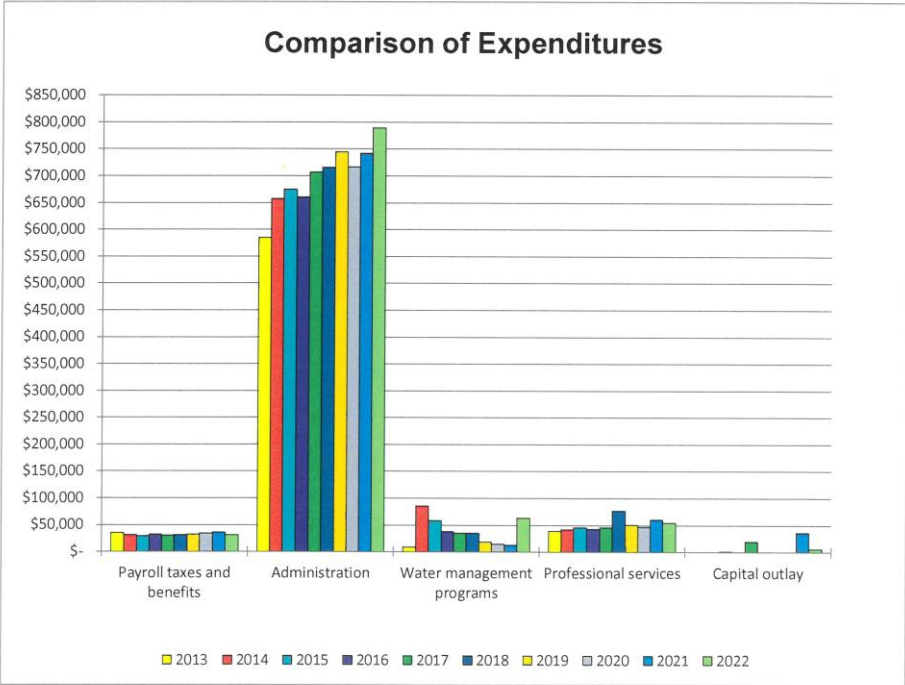


SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3  
Comparison of Expenditures - General Fund  
Regulatory Basis  
For the Years Ended December 31

2022 Expenditures



Comparison of Expenditures



# ATTACHMENT C: CHECK REGISTRY

4:42 PM

01/10/24

## SW KS GROUNDWATER MGMT

### Check Detail

January through December 2023

Type	Num	Date	Name	Account	Paid Amount
Check	31070	12/21/2023	United Way	Commerce Bank	
				Payroll Liabilities	-60.00
TOTAL					-60.00
Check	31069	12/21/2023	Norquest, Jason L	Commerce Bank	
				Employee Travel & ...	-376.39
TOTAL					-376.39
Check	31068	12/21/2023	University of Kans...	Commerce Bank	
				Experts & Consulta...	-1,388.11
TOTAL					-1,388.11
Check	31067	12/20/2023	UniFirst Corporation	Commerce Bank	
				Rent.Building, & Gr...	-64.79
TOTAL					-64.79
Check	31066	12/28/2023	Frances E. Busta...	Commerce Bank	
				Office Maintenance	-450.00
TOTAL					-450.00
Check	31065	12/20/2023	Scheopner's Wate...	Commerce Bank	
				Supplies	-60.00
TOTAL					-60.00
Check	31064	12/20/2023	Alert Alarm Co.	Commerce Bank	
				Rent.Building, & Gr...	-143.85
TOTAL					-143.85
Check	31063	12/20/2023	Century Business ...	Commerce Bank	
				Computer & Equip...	-131.78
TOTAL					-131.78
Check	31062	12/20/2023	Verizon	Commerce Bank	
				Telephone	-158.23
TOTAL					-158.23
Check	31061	12/19/2023	Zachary Gale	Commerce Bank	
				Director Travel & E...	-858.00
TOTAL					-858.00

Page 1

Attachment C page 1 of 87.