



Arkansas River Compact Administration

Financial Statements

June 30, 2023

**Arkansas River Compact Administration
Annual Financial Report
For the Year Ended June 30, 2023**

Table of Contents

Independent Auditor's Report	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Governmental Fund Financial Statements:	
Balance Sheet	5
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Notes to the Financial Statements	9
Required Supplementary Information Other Than MD&A:	
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Major Funds:	
General Fund	13



Independent Auditor's Report

The Governing Body
Arkansas River Compact Administration

Opinions

We have audited the financial statements of the governmental activities and the major fund of Arkansas River Compact Administration (the "Compact"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Compact's basic financial statements as listed in the table of contents.

In our opinion, based on our audit the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Compact, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Compact's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Compact's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has elected to omit the management's discussion and analysis. The omission of this information does not affect our opinions.

rfarmer, Uc

November 12, 2023

**Arkansas River Compact Administration
Statement of Net Position
June 30, 2023**

	Governmental Activities
ASSETS	
Cash and Equivalents	\$ 204,541
Total Assets	<u>204,541</u>
LIABILITIES	
Total liabilities	<u>-</u>
NET POSITION	
Unrestricted	204,541
Total net position	<u>\$ 204,541</u>

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

**Arkansas River Compact Administration
Statement of Activities
For the Year Ended June 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u> <u>Charges for Services</u>	<u>Net (Expense) Revenue and</u> <u>Changes in Net Position</u> <u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Primary government			
Governmental Activities			
General Government	\$ 93,923	\$ 90,000	\$ (3,923)
Total governmental activities	<u>93,923</u>	<u>90,000</u>	<u>(3,923)</u>
Total primary government	<u>93,923</u>	<u>90,000</u>	<u>(3,923)</u>
General revenues:			
Unrestricted interest income			<u>1,189</u>
Total general revenues, special items, and transfers			<u>1,189</u>
Change in net assets			(2,734)
Net position - beginning			<u>207,275</u>
Net position - ending			<u>\$ 204,541</u>

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

**Arkansas River Compact Administration
Balance Sheet
Governmental Fund
June 30, 2023**

	General
ASSETS	
Cash and cash equivalents	\$ 204,541
Total assets	204,541
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Total liabilities	-
Fund balances:	
Unassigned	204,541
Total fund balances	204,541
Total liabilities and fund balances	\$ 204,541

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

Arkansas River Compact Administration
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance, Governmental Funds	\$ <u>204,541</u>
Net Position of Governmental Activities in the Statement of Net Position	\$ <u><u>204,541</u></u>

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

Arkansas River Compact Administration
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2023

	General
REVENUES	
State Assessments	\$ 90,000
Interest Income	1,189
Total revenues	91,189
EXPENDITURES	
Gauging Stations and Studies	75,978
Professional Services	16,407
Operating Expenses	1,538
Total Expenditures	93,923
Excess (deficiency) of revenues over expenditures	(2,734)
Net change in fund balances	(2,734)
Fund balances - beginning	207,275
Fund balances - ending	\$ 204,541

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

Arkansas River Compact Administration
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to
the Statement of Activities
For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds:	<u>\$ (2,734)</u>
Change in net position of governmental activities	<u><u>\$ (2,734)</u></u>

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

Arkansas River Compact Administration
Notes to Financial Statements
June 30, 2023

Note 1 Reporting Entity

Arkansas River Compact Administration (the “Compact”), a quasi-governmental entity, was created in 1948 and approved by Congress 63 Stat.145 (1949).

The major purposes of the Compact are to:

- A. Settle existing disputes and remove causes of future controversy between the States of Colorado and Kansas, and between citizens of one and citizens of the other State, concerning the water of the Arkansas River and their control, conservation and utilization for irrigation and other beneficial purposes.

- B. Equitably divide and apportion between the States of Colorado and Kansas the waters of the Arkansas River and their utilization as well as the benefits arising from the construction, operation, and maintenance by the United States of John Martin Reservoir Project for water conservation purposes.

All financial transactions of the Compact are included in the General Fund of the basic financial statements. The Board of the Compact is accountable for all fiscal matters.

The financial statements present the financial position of Compact in accordance with Governmental Accounting Standards.

The Compact has no component units.

Note 2 Summary of Significant Accounting Policies

The accounting and reporting policies of the Compact conform to accounting principles generally accepted in the United States of America (USGAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the County’s financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide and Fund Financial Statements

The Compact government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Type Activities for the Compact accompanied by a total column.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Separate financial statements are provided for the governmental fund.

The government-wide financial statements are presented on an *economic resource's measurement focus* and the *accrual basis of accounting*. Accordingly, all the Compact's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Compact considers revenues to be available if they are collected within a reasonable period of time after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The primary revenue sources, which have been treated as susceptible to accrual by the Compact, are the state assessments.

The Compact reports the following major governmental fund:

General Fund

This is the Compact's primary operating fund. It accounts for all activities of the Compact.

Reconciliation of the Fund financial statements to the Government-Wide financial statements is provided in the financial statements to explain the differences created by the integrated approach of GASB Statement No. 34.

The Compact does not have any general fixed assets or infrastructure.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements of those assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgets and Budgetary Accounting

Annual budgets are adopted as required by the Compact and by-laws, as amended.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons in this report are presented on the GAAP basis of accounting.

Note 3

Deposits and Investments

Deposits

Colorado State Statutes, specifically the Public Depository Protection Act (PDPA) of 1989, require all public monies to be deposited in financial institutions that have been designated as eligible public depositories. Eligible public depositories must pledge eligible collateral, as promulgated by the State banking board, having a market value in excess of 102% of the aggregate uninsured public deposits. Eligible collateral must be held in the custody of any federal reserve bank or any branch thereof or of any depository trust company which is a member of the Federal Reserve System, and which is supervised by the State banking board. The Statutes further restrict such deposits to eligible public depositories having their principal offices within the State of Colorado.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance or PDPA and the deposits are:

- a. Uncollateralized,
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The Compact was not exposed to custodial credit risk in that all cash is deposited in one local financial institution that is covered by FDIC insurance and the Public Depository Protection Act (PDPA).

The Compact is not exposed to any other investment risks as defined in GASB 40.

Note 4

Fund Balances

The Compact has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." In the fund financial statements, the following classifications describe the relative strength of spending constraints.

Non-Spendable Fund Balance

This is the portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory and prepaid amounts) or is legally or contractually required to be maintained intact.

Restricted Fund Balance

This is the portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance

This is the portion of fund balance constrained for specific purposes according to the limitations imposed by the Compact's highest level of decision-making authority, which is the Board.

Assigned Fund Balance

This is the portion of fund balance set aside for planned or intended purposes but is neither restricted nor committed. The intended use may be expressed by the Compact or their designee authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

Unassigned Fund Balance

This is the residual portion of fund balance that does not meet any of the above criteria. The Compact will only report a positive unassigned fund balance in the General Fund.

When both restricted and unrestricted fund balance are available for use, it is the Compact's policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned and unassigned.

**Arkansas River Compact Administration
Budget and Actual
General
For the year ended June 30, 2023**

	Budgeted Amounts Original and Final	Actual Amounts, Budgetary Basis
REVENUES		
State Assessments	\$ 90,000	\$ 90,000
Interest Income	400	1,189
Total revenues	90,400	91,189
EXPENDITURES		
Current:		
Gauging Stations and Studies	80,977	75,978
Professional Services	17,300	16,407
Operating Expenses	2,200	1,538
Contingency	2,000	-
Total Expenditures	102,477	93,923
Excess (deficiency) of revenues over expenditures	(12,077)	(2,734)
Net change in fund balances	(12,077)	(2,734)
Fund balances - beginning	181,533	207,275
Fund balances - ending	\$ 169,456	\$ 204,541