

THE LOOP WATER AUTHORITY

FINANCIAL STATEMENTS

December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Loop Water Authority
Monument, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities, and each major fund of The Loop Water Authority, (the Authority) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Authority as of December 31, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority'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.

Other Matters

Required Supplemental Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by this missing information.

Stockman Kast Ryan + Co. LLP

September 30, 2024

BASIC FINANCIAL STATEMENTS

THE LOOP WATER AUTHORITY
STATEMENT OF NET POSITION
December 31, 2023

ASSETS

Current assets:

| | |
|-------------------------------------|----------------|
| Cash and investments - unrestricted | \$ 815,576 |
| Capital assets, net | <u>213,436</u> |

| | |
|---------------------|-------------------------|
| Total assets | <u><u>1,029,012</u></u> |
|---------------------|-------------------------|

LIABILITIES

Current liabilities:

| | |
|------------------|---------------|
| Accounts payable | <u>88,086</u> |
|------------------|---------------|

| | |
|-------------------|---------------|
| Total liabilities | <u>88,086</u> |
|-------------------|---------------|

NET POSITION

| | |
|----------------------------------|---------|
| Net investment in capital assets | 213,436 |
|----------------------------------|---------|

| | |
|----------|--------|
| Assigned | 24,300 |
|----------|--------|

| | |
|--------------|----------------|
| Unrestricted | <u>703,190</u> |
|--------------|----------------|

| | |
|--------------------|----------------|
| Total net position | <u>940,926</u> |
|--------------------|----------------|

| | |
|---|----------------------------|
| Total liabilities and net position | <u><u>\$ 1,029,012</u></u> |
|---|----------------------------|

These financial statements should be read only in connection with
the accompanying notes to financial statements.

THE LOOP WATER AUTHORITY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

| Functions/Programs | Program Revenue | | | Net (Expense) Revenue and Change in Net Position |
|----------------------------------|------------------|----------------------|------------------------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | |
| Primary governmental activities: | | | | |
| Governmental activities: | | | | |
| General government | \$ 59,074 | | \$ 1,000,000 | \$ 940,926 |
| | <u>\$ 59,074</u> | <u>\$ -</u> | <u>\$ 1,000,000</u> | <u>\$ 940,926</u> |
| | | | | <u>940,926</u> |
| | | | | <u>-</u> |
| | | | | <u>\$ 940,926</u> |

These financial statements should be read only in connection with the accompanying notes to financial statements.

**THE LOOP WATER AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2023**

| | General | Total Governmental |
|---|-------------------|-------------------------------|
| ASSETS | | |
| Cash and investments - unrestricted | \$ 815,576 | \$ 815,576 |
| Total assets | 815,576 | 815,576 |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts payable | 88,086 | 88,086 |
| Total liabilities | 88,086 | 88,086 |
| FUND BALANCE | | |
| Assigned - Capital Reserve | 24,300 | 24,300 |
| Unassigned | 703,190 | 703,190 |
| Total fund balance | 727,490 | 727,490 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 815,576 | |

Amounts reported for governmental activities in the Statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

| | |
|---|------------|
| Capital assets | 213,436 |
| Net position of governmental activities | \$ 940,926 |

These financial statements should be read only in connection with the accompanying notes to financial statements.

THE LOOP WATER AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Year Ended December 31, 2023

| | General | Total Governmental |
|---|----------------|-------------------------------|
| REVENUES | | |
| Member contributions | \$ 1,000,000 | \$ 1,000,000 |
| Total Revenues | 1,000,000 | 1,000,000 |
| EXPENDITURES | | |
| <u>Administrative</u> | | |
| Professional Fees - (Legal, Accounting, Audit, IT, Other) | 59,074 | 59,074 |
| <u>Capital</u> | | |
| Professional Fees - Capital Related | 213,436 | 213,436 |
| Total Expenditures | 272,510 | 272,510 |
| NET CHANGE IN FUND BALANCES | 727,490 | 727,490 |
| FUND BALANCE - BEGINNING OF YEAR | - | - |
| FUND BALANCE - END OF YEAR | \$ 727,490 | \$ 727,490 |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

THE LOOP WATER AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

Amounts reported for governmental activities in the Statement of Activities are different because:

| | |
|--|--------------------------|
| Net change in fund balances - Total governmental funds | <u>\$ 727,490</u> |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Capital outlay | <u>213,436</u> |
| Change in net position - Governmental activities | <u><u>\$ 940,926</u></u> |

These financial statements should be read only in connection with the accompanying notes to the financial statements.

THE LOOP WATER AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET VS ACTUAL
GENERAL FUND

For the Year Ended December 31, 2023

| | Adopted 2023 Budget | Actual 2023 | Variance Favorable (Unfavorable) | YTD % 100% |
|---|------------------------------------|------------------------|---|-----------------------|
| REVENUES | | | | |
| Member Contributions | \$ 1,000,000 | \$ 1,000,000 | \$ - | 100% |
| ARPA Grant Proceeds | 800,000 | - | (800,000) | 0% |
| Total Revenues | 1,800,000 | 1,000,000 | (800,000) | 56% |
| EXPENDITURES | | | | |
| <u>Administrative</u> | | | | |
| Member Agency Reimbursements | 400,000 | - | 400,000 | 0% |
| Insurance | 4,000 | - | 4,000 | 0% |
| Office Supplies and Expense | 300 | - | 300 | 0% |
| Professional Fees - (Legal, Accounting, Audit, IT, Other) | 95,500 | 59,074 | 36,426 | 62% |
| Travel and Meeting Expense | 500 | - | 500 | 0% |
| Miscellaneous/Contingency | 400 | - | 400 | 0% |
| <u>Capital</u> | | | | |
| Professional Fees | 293,000 | 213,436 | 79,564 | 73% |
| Construction of Facilities | 982,000 | - | 982,000 | 0% |
| Total Expenditures | 1,775,700 | 272,510 | 1,503,190 | 15% |
| REVENUES OVER (UNDER) EXPENDITURES | 24,300 | 727,490 | 703,190 | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer to Reserves | (24,300) | - | 24,300 | 0% |
| Total Other Financing Sources (Uses) | (24,300) | - | 24,300 | 0% |
| NET CHANGE IN FUND BALANCE | - | 727,490 | 727,490 | |
| BEGINNING FUND BALANCE | - | - | - | |
| ENDING FUND BALANCE | \$ - | \$ 727,490 | \$ 727,490 | |

These financial statements should only be read in connection with the accompanying notes to the financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

THE LOOP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 – DEFINITION OF REPORTING ENTITY

The Loop Water Authority (the “Authority”) is a political subdivision of the State of Colorado. The Authority was established December 23, 2022, and is comprised of four political subdivisions of the State of Colorado. The Parties (“Parties”) include the Town of Monument, the Woodmoor Water and Sanitation District No.1, the Cherokee Metropolitan District and the Donala Water and Sanitation District. The Authority was created to determine the feasibility and potential means and methods of jointly financing, operating, and maintaining a regional water transmission and storage system to interconnect each Party’s capacity for storage and for regional delivery of water for use and reuse purposes. The purpose of the Authority is to effect the development and implementation of the water conveyance system currently referred to and to eventually be known as the "Loop" or the "Loop Project", the purpose of such project being the expansion of renewable and nonrenewable water resources, construction of systems and facilities in whole or in part for the benefit of the Members and their inhabitants, to identify and implement beneficial operating procedures and conservation programs and projects.

The Authority is governed by a four-member Board, one member rep from each Party. The Authority contracts with various professionals to provide legal, accounting, engineering, water and wastewater planning and infrastructure projects, and various professional consultants, through separate agreements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the Authority are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of the net position and the statement of activities. These financial statements include all the activities of the Authority. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of net position reports all financial and capital resources of the Authority. The difference between the assets and liabilities of the Authority is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect 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. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

THE LOOP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurements Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurements focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds and promissory notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurements 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are Party contributions and grant funding. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or when the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

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

Budgets

In accordance with the Local Government Budget Law of Colorado, the Authority's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The Authority's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled Cash and Investments

The Authority follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

**THE LOOP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets

Capital assets, which include building improvements, equipment and furniture, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives of the assets.

| | |
|--------------------------|--------------|
| Building improvements | 5 - 10 years |
| Hardware | 5 years |
| Software | 5 years |
| Communications equipment | 5 years |
| Furniture | 3-5 years |

Fund Balances – Governmental Funds

The Authority's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Non-spendable fund balance - the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance - the amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest-level action to remove or change the constraint.

Assigned fund balance - amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Authority's Board of Directors or by an official or body to which the Authority's Board of Directors delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Authority's Board of Directors has provided otherwise in its commitment or assignment actions.

THE LOOP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2023 are classified in the accompanying statement of net position as follows:

| | |
|-------------------------------------|-------------------|
| Statement of net position: | |
| Cash and investments – unrestricted | \$ <u>815,576</u> |

Cash and investments as of December 31, 2023 consist of the following:

| | |
|--------------------------------------|-------------------|
| Deposits with financial institutions | \$ <u>815,576</u> |
|--------------------------------------|-------------------|

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The state commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2023, the Authority's cash deposits had a bank balance of \$815,576 and a carrying balance of \$815,576.

Investments

Credit Risk

The Authority has adopted a formal investment policy entitled, *Financial Management Policies: Accounting, Budgeting and Fiscal Guidelines*. The Authority also follows state statutes regarding investments.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities and lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds

THE LOOP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

- Guaranteed investment contracts
- Local government investment pools

Additionally, the Authority is not subject to concentration risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

As of December 31, 2023, The Authority had no investments.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

| Governmental activities: | Balance at December 31, 2022 | Increases | Decreases | Balance at December 31, 2023 |
|--|---|------------------|------------------|---|
| Capital assets, not being depreciated: | | | | |
| Construction in process | \$ - | \$ 213,436 | \$ - | \$ 213,436 |

NOTE 5 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the Authority may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God.

The Authority is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The Authority pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. An excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

THE LOOP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

6. TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer’s Bill of Rights (TABOR) contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments, except Enterprise.

Based on the structure of the Authority as a “quasi-governmental” entity and restriction of financial activities, including the lack of ability to assess and collect tax revenue, the Authority does not believe that it is directly subject to the TABOR limitations.

This information is an integral part of the accompanying financial statements.