THE LOOP WATER AUTHORITY

FINANCIAL STATEMENTS

December 31, 2025

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INDEPENDENT AUDITORS' 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, 2025, 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, 2025, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 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 opinions.

Substantial Doubt about the Authority's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the Authority will continue as a going concern. As discussed in Note 7 to the financial statements, the Authority received notification that two political subdivisions of the State of Colorado that comprise the Authority intend to withdraw from the Authority subsequent to December 31, 2025. Under the Authority's establishing agreement, the Authority is required to dissolve when only one member Party remains. Management's evaluation of these events and conditions, and its plans regarding these matters, are also described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 and *Government 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2026 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Sorren CPAs P.C.
Colorado Springs, Colorado
September 24, 2026

BASIC FINANCIAL STATEMENTS

THE LOOP WATER AUTHORITY
STATEMENT OF NET POSITION
December 31, 2025

ASSETS		
Current assets:		
Cash and investments - unrestricted	$	510,773
Receivable from ARPA		973,123
Receivable from members & users		107,143
Prepaid expenses		5,863
Total current assets		1,596,902
Non-current assets:		
Capital assets, net		2,221,619
Total assets	$	3,818,521
LIABILITIES		
Current liabilities:		
Accounts payable	$	403,579
NET POSITION		
Net investment in capital assets		2,221,619
Unrestricted		1,193,323
Total net position		3,414,942
Total liabilities and net position	$	3,818,521

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, 2025

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 112,593	$ -	$ -	$ 2,030,010	$ 1,917,417
	$ 112,593	$ -	$ -	$ 2,030,010	1,917,417
Change in net position					1,917,417
Net position - Beginning					1,497,525
Net position - Ending					$ 3,414,942

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, 2025

	General	Total Governmental
ASSETS		
Cash and investments - unrestricted	$ 510,773	$ 510,773
Receivable from ARPA Grant	973,123	973,123
Receivable from members & users	107,143	107,143
Prepaid expenses	5,863	5,863
Total assets	$ 1,596,902	$ 1,596,902
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 403,579	$ 403,579
FUND BALANCE		
Unassigned	1,193,323	1,193,323
TOTAL LIABILITIES AND FUND BALANCE	$ 1,596,902	
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		2,221,619
Net position of governmental activities		$ 3,414,942

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, 2025

	General	Total Governmental
REVENUES		
Member contributions	$ 600,001	$ 600,001
ARPA Grant Proceeds	1,430,009	1,430,009
Total Revenues	2,030,010	2,030,010
EXPENDITURES		
Administrative		
Dues and Memberships	1,238	1,238
Insurance	5,700	5,700
Professional Fees - (Legal, Accounting, Audit, IT, Other)	105,655	105,655
Capital		
Professional Fees - Capital Related	1,562,198	1,562,198
Total Expenditures	1,674,791	1,674,791
NET CHANGE IN FUND BALANCES	355,219	355,219
FUND BALANCE - BEGINNING OF YEAR	838,104	838,104
FUND BALANCE - END OF YEAR	$ 1,193,323	$ 1,193,323

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, 2025

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

Net change in fund balances - Total governmental fund	$ 355,219
Governmental fund 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	1,562,198
Change in net position - Governmental activities	$ 1,917,417

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, 2025

	Adopted 2025 Budget	Actual 12/31/2025	Variance Favorable (Unfavorable)	YTD %
REVENUES				
Member Contributions	$ 2,189,000	$ 600,001	$ (1,588,999)	27%
ARPA Grant Proceeds	4,000,000	1,430,009	(2,569,991)	36%
Total Revenues	6,189,000	2,030,010	(4,158,990)	33%
EXPENDITURES				
Administrative				
Dues, Memberships, Subscriptions	10,000	1,238	8,762	12%
Insurance	10,000	5,700	4,300	57%
Office Supplies and Expense	1,000	-	1,000	0%
Professional Fees - (Legal, Accounting, Audit, IT, Other)	130,000	105,655	24,345	81%
Travel and Meeting Expense	10,000	-	10,000	0%
Miscellaneous/Contingency	9,000	-	9,000	0%
Capital				
Professional Fees - Capital Related	1,310,000	1,562,198	(252,198)	119%
Land Acquisition	1,666,500	-	1,666,500	0%
Construction of Facilities	2,380,000	-	2,380,000	0%
Total Expenditures	5,526,500	1,674,791	3,851,709	30%
REVENUES OVER (UNDER) EXPENDITURES	662,500	355,219	(307,281)	
NET CHANGE IN FUND BALANCE	662,500	355,219	(307,281)	
BEGINNING FUND BALANCE	677,490	838,104	160,614	
ENDING FUND BALANCE	$ 1,339,990	$ 1,193,323	$ (146,667)	

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

NOTES TO BASIC FINANCIAL STATEMENTS

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 three political subdivisions of the State of Colorado. The Parties ("Parties") include the Town of Monument, the Woodmoor Water and Sanitation District No.1, 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 representative 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 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.

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 is 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 fund:

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.

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 Fund
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.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2025 are classified in the accompanying statement of net position as follows:

Statement of net position:	
Cash and investments – unrestricted	$ 510,773

Cash and investments as of December 31, 2025 consist of the following:

Deposits with financial institutions	$ 510,773

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, 2025, the Authority's cash deposits had a bank balance of $510,773 and a carrying balance of $510,773.

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
- Guaranteed investment contracts
- Local government investment pools

NOTE 3 – CASH AND INVESTMENTS- continued

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, 2025, The Authority had no investments.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2025 follows:

Governmental activities:	Balance at January 1, 2024	Increases	Decreases	Balance at December 31, 2025
Capital assets, not being depreciated:				
Construction in process	$ 659,421	$ 1,562,198	$ -	$ 2,221,619

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.

NOTE 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.

NOTE 7 – SUBSEQUENT EVENTS AND GOING CONCERN

Subsequent to December 31, 2025, the Authority was notified that the Town of Monument and the Donala Water and Sanitation District intend to withdraw from participation in the Authority. The withdrawals are expected to become effective approximately 180 days after notification. The Authority was created pursuant to an establishing agreement among the participating Parties. Under the agreement, the Authority will dissolve as an entity when only one member Party remains. The agreement also provides for the disposition of the Authority's assets and liabilities and requires the Authority's financial obligations to be satisfied prior to dissolution or upon any Party's departure.

As of the date these financial statements were available to be issued, the Authority was evaluating the operational and financial effects of the intended withdrawals, including the potential impact on the Authority's continued operations, dissolution, and the timing and manner of settlement of its assets and liabilities.

THE LOOP WATER AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

Federal Agency / Pass-Through Grantor and Cluster or Program	Assistance Listing Number	Grant Number	Amount Expended
United States Department of Treasury			
Passed-Through Programs:			
El Paso County:			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	WP-2022-004	$ 1,430,009

Notes to Schedule:

1. The Schedule of Expenditures of Federal Awards (the schedule) includes the Federal awards activity of the Authority and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

2. The Authority has elected to use the 10 percent *de minimus* indirect cost rate to charge costs to their federal awards.

3. The Authority provided no federal awards to subrecipients.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON THE AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
The Loop Water Authority
Monument, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Loop Water Authority (the Authority), which comprise the statements of financial position as of December 31, 2025, and the related statements of activities and cash flows for years then ended, and the related notes to the financial statements and have issued our report thereon dated September 24, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Partnership's financial statements will not be prevented or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2025-001.

The Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sorren CPAs P.C.
Colorado Springs, Colorado
September 24, 2026

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
The Loop Water Authority
Monument, Colorado

Opinion on Each Major Federal Program

We have audited The Loop Water Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2025. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material non-compliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sorren CPAs P.C.
Colorado Springs, Colorado
September 24, 2026

THE LOOP WATER AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

1. Type of auditors' report issued:

   ☒ Unmodified ☐ Modified ☐ Adverse ☐ Disclaimed

2. Internal control over financial reporting:

   (A) Material weakness(es) identified? ☐ Yes ☒ No
   (B) Significant deficiencies identified? ☐ Yes ☒ None Reported

3. Non-compliance material to the financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

1. Internal control over major programs:

   (A) Material weakness(es) identified? ☐ Yes ☒ No
   (B) Significant deficiencies identified? ☒ Yes ☐ None Reported

2. Type of auditors' report issued on compliance for major programs:

   ☒ Unmodified ☐ Modified ☐ Adverse ☐ Disclaimed

3. Any audit findings that are required to be reported in accordance with 2CFR 200.516(a)? ☒ Yes ☐ No

4. The Authority's major program was:

Assistance Listing Number	Federal Agency / Pass-Through Entity and Cluster or Program
21.027	United States Department of Treasury: COVID-19: Coronavirus State and Local Fiscal Recovery Funds

5. Dollar threshold used to distinguish between Type A and Type B programs: $ 1,000,000

6. Auditee qualified as low-risk auditee under Section 520 of the Uniform Guidance? ☐ Yes ☒ No

(Continued)

THE LOOP WATER AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference Number	Finding	Questioned Costs
2025-001	*Criteria or Specific Requirement* – Management is required to ensure that there are sufficient internal controls in place over program purchasing. This includes use of the Authority's own documented procurement procedures which reflect applicable state and local law regulations, provided that the procurements conform to applicable federal law and standards. As well as, internal controls that ensure that documentation is maintained to support compliance with the procurement policy. *Conditions* – The Authority has a formalized procurement policy (the policy). However, the policy does not conform to applicable standards under Uniform Guidance because it does not include procedures to ensure the Authority does not enter into covered transactions with entities that are debarred, suspended, or otherwise excluded. We noted during our testing that there was limited documentation of the Authority's procedures for verifying that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded. *Context* – During our testing of procurement, we sampled eight expenditures totaling $641,520 consisting of transactions with three companies. We noted that four of the selections with one company totaling $250,774 did not have SAMS.gov verification or compliance certification documentation. However, as part of our audit procedures, we determined that the expenditures were made with contractors which were not suspended or disbarred and were approved on the SAMS.gov website. *Cause* – Procurement policy was not sufficient to ensure full compliance. *Effect or Potential Effect* – The use of non-approved vendors could have occurred. However, as part of our audit procedures, we determined that the expenditures were made with contractors which were not suspended or disbarred and were approved on the SAMS.gov website. *Recommendation* – We recommend that management strengthen their formal procurement policy using the guidance of 2 CFR 200.317 – 200.327. Additionally, management should follow this policy when procuring services or property and maintain the related documentation.	None

(Continued)

THE LOOP WATER AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference Number	Finding	Questioned Costs
	Views of Responsible Officials and Planned Corrective Actions – Management agrees with the finding. Management is in the process of reviewing and revising its policies.	

(Concluded)

THE LOOP WATER AUTHORITY

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2025

SECTION I – FINANCIAL STATEMENT FINDINGS

There was no Uniform Guidance requirement in the prior year.

SECTION II –FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There was no Uniform Guidance requirement in the prior year.