

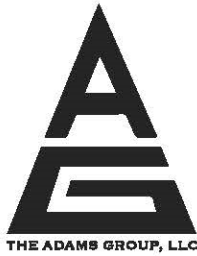
**KINSTON METROPOLITAN DISTRICT NO. 1**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Kinston Metropolitan District No. 1  
Larimer County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Kinston Metropolitan District No. 1 (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility 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; this includes 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.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

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 Kinston Metropolitan District No. 1 as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management Discussion & 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*The Adams Group, LLC*

June 10, 2021  
Denver, Colorado

KINSTON METROPOLITAN DISTRICT NO. 1  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 79,006
Due from other governments	653,912
Other assets	225,809
Prepaid items	18,144
Capital assets, not being depreciated	1,160,583
Total assets	2,137,454
 <b>Liabilities</b>	
Accounts payable	894,758
Retainage payable	15,230
Noncurrent liabilities:	
Due in more than one year	
Developer advances	226,225
Total liabilities	1,136,213
 <b>Net Position</b>	
Net investment in capital assets	1,145,353
Restricted for:	
Capital projects	48,639
Unrestricted	(192,751)
Total net position	\$ 1,001,241

The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and	Capital Grants and	Governmental Activities
Governmental Activities					
General government	\$ 963,768	\$ -	\$ -	\$ -	\$ (963,768)
Interest and fiscal charges	17,345	-	-	-	(17,345)
Total Governmental Activities	\$ 981,113	\$ -	\$ -	\$ -	(981,113)
		General Revenues:			
		Property taxes			-
		Intergovernmental			1,982,353
		Investment earnings			1
		Total General Revenues			1,982,354
		Change in Net Position			1,001,241
		Net Position - Beginning			-
		Net Position - Ending			\$ 1,001,241

The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 1  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2020

	<b>General Fund</b>	<b>Capital Project Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and investments	\$ 29,834	\$ 49,172	\$ 79,006
Due from other government	-	653,912	653,912
Other assets	-	225,809	225,809
Prepaid items	18,144	-	18,144
Total assets	<u>\$ 47,978</u>	<u>\$ 928,893</u>	<u>\$ 976,871</u>
<b>Liabilities</b>			
Accounts payable	\$ 29,734	\$ 865,024	\$ 894,758
Retainage Payable	-	15,230	15,230
Total liabilities	<u>29,734</u>	<u>880,254</u>	<u>909,988</u>
<b>Fund Balance</b>			
Nonspendable:			
Prepaid items	18,144	-	18,144
Restricted:			
Capital projects	-	48,639	48,639
Unassigned	100	-	100
Total fund balances	<u>18,244</u>	<u>48,639</u>	<u>66,883</u>
Total liabilities and fund balances	<u>\$ 47,978</u>	<u>\$ 928,893</u>	<u>\$ 976,871</u>

The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE BALANCE SHEET OF THE  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2020

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

Fund balance of Governmental funds	\$ 66,883
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,160,583
Some liabilities are not due in the current period and, therefore, are not reported in the fund balance sheet.	
Developer advances- Operating	<u>(226,225)</u>
Net Position of Governmental Activities	<u>\$ 1,001,241</u>

The notes are an integral part of these financial statements.



KINSTON METROPOLITAN DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2020

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 1,982,353	\$ 1,982,353
Interest & Other	1	-	1
Total revenues	<u>1</u>	<u>1,982,353</u>	<u>1,982,354</u>
<b>Expenditures</b>			
Current:			
Accounting and Finance	26,250	-	26,250
District Management	33,090	18,298	51,388
Director Fees	5,000	-	5,000
Election	3,174	-	3,174
Engineering	-	195,664	195,664
Insurance	14,820	-	14,820
Office, Dues, Newsletters, Other	4,422	686	5,108
Legal	121,226	-	121,226
Contingency	-	211,407	211,407
Organizational Formation	-	329,731	329,731
Capital Outlay	-	1,160,583	1,160,583
Debt service:			
Repayment of Capital Advances	-	1,091,452	1,091,452
Interest	-	17,345	17,345
Total expenditures	<u>207,982</u>	<u>3,025,166</u>	<u>3,233,148</u>
<b>Other Financing Sources (Uses)</b>			
Developer Advances	<u>226,225</u>	<u>1,091,452</u>	<u>1,317,677</u>
Total other financing sources (uses)	<u>226,225</u>	<u>1,091,452</u>	<u>1,317,677</u>
Net change in fund balances	18,244	48,639	66,883
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 18,244</u>	<u>\$ 48,639</u>	<u>\$ 66,883</u>

The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020

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

Net change in fund balances - Total governmental funds	\$	66,883
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		1,160,583
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. This amount is the effect of these differences in the treatment of long term debt and related items:

Developer Advances		(1,317,677)
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Governmental funds report principal payments as expenditures. However, in the statement of activities these payments are reflected as a reduction in long-term debt obligations.

		<u>1,091,452</u>
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Change in Net Position of Governmental Activities	\$	<u>1,001,241</u>
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The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND  
YEAR ENDED DECEMBER 31, 2020

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Interest & Other	\$ -	\$ 1	\$ 1
Total revenues	<u>-</u>	<u>1</u>	<u>1</u>
<b>Expenditures</b>			
Current:			
Accounting and Finance	46,000	26,250	19,750
District Management	50,000	33,090	16,910
Director Fees	12,000	5,000	7,000
Election	1,500	3,174	(1,674)
Engineering	5,000	-	5,000
Insurance	20,000	14,820	5,180
Office, Dues, Newsletters, Other	5,000	4,422.00	578
Legal	50,000	121,226	(71,226)
Contingency	20,000	-	20,000
Total expenditures	<u>209,500</u>	<u>207,982</u>	<u>1,518</u>
Excess of revenues over (under) expenditures	(209,500)	(207,981)	1,519
<b>Other Financing Sources (Uses)</b>			
Developer Advances Operating	<u>215,979</u>	<u>226,225</u>	<u>10,246</u>
Net change in fund balance	<u>\$ 6,479</u>	18,244	<u>\$ 11,765</u>
Fund balances, beginning of year		<u>-</u>	
Fund balances, end of year		<u>\$ 18,244</u>	

The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 1 - DEFINITION OF REPORTING ENTITY

Kinston Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on December 5, 2019 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located within Larimer County, Colorado.

The District was established principally to provide streets, traffic and safety controls, street lighting, storm drainage, landscaping, parks and recreation, for the use and benefit of property owners, residents, taxpayers, and system users within and without the boundaries of the District.

The District has no employees, and all operations and administrative functions are contracted.

The District's follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential of the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other District organization nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) include all of the activities of the District. As a general rule, the effect of interfund activity has been removed from these statements. These financial statements include all of the activities of the primary government except for the fiduciary activities or fiduciary component units. The statement of net position reports all financial and capital resources of the District. The difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the District is reported as net position. The District is responsible for the construction of the aforementioned improvements. A net position of \$1,001,241 is reflected on the District's statement of net position as of December 31, 2020.

KINSTON METROPOLITAN DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expense 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. Taxes and 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement 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. Intergovernmental and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider has been met. Expenditures for property and equipment are shown as increases in assets and redemption of bonds, notes, and developer advances are recorded as a reduction in liabilities.

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 District 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 property taxes, capital fees and interest. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred, or the long-term obligation paid. 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.

KINSTON METROPOLITAN DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

In the fund financial statements, the District reports the following major governmental funds:

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

*Capital Projects Fund* accounts for the resources accumulated and available for capital expenditure within the development.

Budgets

In accordance with the State Budget Law, the District's Board of Directors hold 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 District'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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

Cash and Cash Equivalents

Cash on hand, cash in the bank and all highly liquid investments with a maturity of three months or less when purchases or subject to withdrawal, are considered to be cash and cash equivalents. The District deposits funds in Colorado financial institutions that are eligible public depositories under the Colorado Public Deposit Protection Act, PDPA.

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the

KINSTON METROPOLITAN DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. The District has no investments required to be reported under the fair value hierarchy.

Capital Assets

Capital assets consist entirely of construction projects in process. Therefore, no depreciation is calculated on these assets. Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

Property Tax

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District. For the year ended December 31, 2020 and budget fiscal year 2021, there were no mills levied by the District, so total property tax revenues and receivables reflect a total of \$0 on the financial statements.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year for which they are levied, in most instances in the year in which collection occurs.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

KINSTON METROPOLITAN DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

In addition to liabilities, the statement of net position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Balances-Governmental Funds

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

*Nonspendable 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. At December 31, 2020, the District had \$18,144 of nonspendable fund balance.

*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. At December 31, 2020, the District had \$48,639 in restricted fund balance.

*Committed fund balance* – amounts constrained to specific purposes by the District 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 District takes the same highest-level action to remove or change the constraint. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. At December 31, 2020, the District had no committed fund balance.

*Assigned fund balance* – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority. At December 31, 2020, the District had no assigned fund balance.

*Unassigned fund balance* – amounts that are available for any purpose. At December 31, 2020, the general fund had unassigned fund balance of \$100.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund



KINSTON METROPOLITAN DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances-Governmental Funds (Continued)

balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and then unassigned funds.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash	\$ 79,006
Total cash and cash equivalents	<u>\$ 79,006</u>

Deposits with Financial Institutions

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 the reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2020, the District's cash deposits had a bank balance of \$79,006, and a carrying balance of \$79,006. At December 31, 2020, of the District's deposits were covered by the Federal Deposit Insurance Corporation (FDIC).

Investments

The District adopted a formal investment policy on December 19, 2019. The District's investment policy 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, certain U.S. Agency securities, and securities of the World Bank
- General obligations and revenue bonds of U.S. local government entities

KINSTON METROPOLITAN DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools\*

The District generally limits its concentration of investments to those noted with an asterisk (\*) above, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District 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, 2020, the District had no investments.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Governmental Activities				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 1,160,583	\$ -	\$ 1,160,583
Total Capital Assets	\$ -	\$ 1,160,583	\$ -	\$ 1,160,583

Improvements are intended to be for the use and benefit of all the taxpayers, residents, and owners of real property within the District boundaries. Upon completion, the District plans to transfer all of the improvements to the City of Loveland or other appropriate governmental or quasi-governmental entities.

KINSTON METROPOLITAN DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2020:

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020	Due Within One Year
Governmental activities:					
Developer Advances Operating	\$ -	\$ 226,225	\$ -	\$ 226,225	\$ -
Developer Advances Capital	-	1,091,452	(1,091,452)	-	-
	<u>\$ -</u>	<u>\$ 1,317,677</u>	<u>\$ (1,091,452)</u>	<u>\$ 226,225</u>	<u>\$ -</u>

Developer Advances - Operating

On December 19, 2019, the District entered into a funding and reimbursement agreement with McWhinney Real Estate Services (MRES) pursuant to which MRES agreed to advance up to \$250,000 to the District to pay for costs associated with operating and maintenance expenses and general operating expenditures of the District through December 31, 2020 or upon the conveyance of the property in the Kinston development to Centerra East Development, Inc. (CED), whichever occurs first. The District agreed to repay MRES for the advances and, to evidence the District's reimbursement obligation to MRES, the District issued a subordinate promissory note to MRES on December 19, 2019 with a maturity date of December 31, 2020. The note bears no interest. The District agreed to repay the note contingent upon the receipt of funds from an ad valorem tax levy and any other legally available revenues of the District, subject to the annual appropriation of funds by the District. On June 17, 2020, the property in the Kinston development was conveyed to CED and the obligations of MRES set forth in the agreement terminated. On December 10, 2020, MRES assigned to CED all of its right, title and interest in the note. The District received \$90,790 in advances from MRES and made no repayment on the note for the year ended December 31, 2020.

On June 18, 2020, the District entered into a funding and reimbursement agreement with CED pursuant to which CED agreed to advance up to \$250,000 to the District to pay for costs associated with operating and maintenance expenses and general operating expenditures of the District through December 31, 2020. The District agreed to repay CED for the advances and, to evidence the District's reimbursement obligation to CED, the District issued a subordinate promissory note to CED on June 18, 2020 with a maturity date of December 31, 2020. The note bears no interest. The District agreed to repay the note contingent upon the receipt of funds from an ad valorem tax levy and any other legally available revenues of the District, subject to the annual appropriation of funds by the District. The District received \$135,435 in advances from CED and made no repayment on the note for the year ended December 31, 2020.

KINSTON METROPOLITAN DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances - Capital

On December 19, 2019, the District entered into an improvement acquisition, advance and reimbursement agreement with MRES pursuant to which MRES agreed to advance up to \$1,000,000 to the District to pay costs associated by with the construction of capital improvements with repayment from the District, or to construct capital improvements for acquisition by the District, through December 31, 2020 or upon the conveyance of the property in the Kinston development to CED, whichever occurs first. The District agreed to repay MRES for the advances or the acquisition of any capital improvements, and to evidence the District's reimbursement obligation to MRES, the District issued a subordinate promissory note to MRES on December 31, 2019 with a maturity date of December 31, 2020. The note bears interest at the Prime Interest Rate plus 3% up to a maximum Interest Rate of 8.5%, Simple Interest. The District agreed to repay the note from one or more series of general obligation bonds, revenue bonds, or other legally available revenues of the District, subject to the annual appropriation of funds by the District. On June 17, 2020, the property in the Kinston development was conveyed to CED and the obligations of MRES set forth in the agreement terminated. The District received \$759,941 in advances, which accrued \$5,592 of interest for the year ended December 31, 2020, as evidenced on the note. The District has repaid the note from general obligation bond proceeds received from Kinston Metropolitan District No. 5.

On June 18, 2020, the District entered into an improvement acquisition, advance and reimbursement agreement with CED pursuant to which CED agreed to advance up to \$1,000,000 to the District to pay costs associated by with the construction of capital improvements with repayment from the District, or to construct capital improvements for acquisition by the District, through December 31, 2020. The District agreed to repay CED for the advances or the acquisition of any capital improvements, and to evidence the District's reimbursement obligation to MRES, the District issued a subordinate promissory note to CED on June 18, 2020 with a maturity date of December 31, 2020. The note bears interest at the Prime Interest Rate plus 3% up to a maximum Interest Rate of 8.5%, Simple Interest. The District agreed to repay the note from one or more series of general obligation bonds, revenue bonds, or other legally available revenues of the District, subject to the annual appropriation of funds by the District. On June 17, 2020, the property in the Kinston development was conveyed to CED and the obligations of CED set forth in the agreement terminated. The District received \$331,511 in advances, which accrued \$11,753 of interest for the year ended December 31, 2020, as evidenced on the note. The District repaid the note from general obligation bond proceeds received from Kinston Metropolitan District No. 5.

KINSTON METROPOLITAN DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On September 5, 2019, a majority of qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$170,000,000 to fund the development.

At December 31, 2020, the District had authorized and issued indebtedness from the election in the following amounts:

	Authorized	Remaining
Voter debt authorization limit	\$ 170,000,000	\$ 169,773,775

NOTE 6 - NET POSITION

The District’s net position consists of three components – net investment in capital assets, restricted and unrestricted.

The restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2020, as follows:

**Net Position**

Net investment in capital assets	\$	1,145,353
Restricted for:		
Capital projects		48,639
Unrestricted		(192,751)
Total net position	\$	1,001,241

In the government-wide financial statements, the District’s assets exceeded liabilities by \$1,001,241, and unrestricted net position shows a deficit of (\$192,751) as a result of additions to construction in process during 2020.

NOTE 7 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District 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 District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide

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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 7 - RISK MANAGEMENT (CONTINUED)

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 District 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. Any 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. Settlements or losses have not exceeded coverage since the start of district operations.

NOTE 8 - CONTINGENCY

The property in the service area of the District is currently vacant and undeveloped and there is no assurance that it will be developed as currently contemplated or at all. A number of factors may affect the development, including the overall economy of the region, Larimer County, and the Loveland metropolitan area in particular. The collection of property and other taxes is dependent on the development occurring in the District, and the timing of debt service payments is, in part, dependent on the collection of property and other taxes.

CED has estimated the cost of public improvements necessary to serve the property in the development to be approximately \$146 million. The CED plans to fund cost of the development that is not funded by legally attainable revenues and limited tax general obligation debt proceeds of the Districts.

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known 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 those governmental activities designated as Enterprises.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local

KINSTON METROPOLITAN DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 5, 2019, the District's voters passed an election question authorized the retention of all revenues received from any source during the 2020 fiscal year and each fiscal year thereafter that are in excess of the revenue and fiscal year spending limits that would otherwise apply under Article X, Section 20 of the Colorado Constitution or any other law.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

NOTE 10 - DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT

In order to implement the Service Plan, the District entered into an intergovernmental agreement with Kinston Metropolitan Districts No. 2-10 on December 19, 2019, which was amended and restated on November 19, 2020 (The District IGA). The agreement shall remain in full force and effect until such time as each of the terms and conditions have been performed in their entirety or until the agreement is terminated pursuant to the terms of the District IGA. Districts No.2 through No. 10 are responsible for providing the funding needed to support the costs of acquiring, constructing, operating, and maintaining public improvements for the Districts, and the general operating expenditures of the District.

NOTE 11 - RELATED PARTIES

The District is one of ten Kinston Metropolitan Districts (collectively, the Districts) organized to assist in the provision of public improvements to serve the Kinston development. Centerra East Development, Inc. (CED) is the developer for Kinston. CED and each director of the District have entered into an Agreement For the Sale and Purchase of Real Estate located within the Kinston development. Each director is also an employee of McWhinney Real Estate Services, Inc. (MRES). MRES may transact business with the District in the future.

Pursuant to the District IGA, the District is responsible for acquiring, constructing, operating and maintaining public improvements to serve the Kinston development. The District has entered into funding and reimbursement agreements with CED and MRES as described in Note 5. During 2020, CED advanced \$759,941 to the District for the construction, operation and maintenance of the public improvements and advanced \$135,435 for general operating expenditures for the District. The District repaid CED

KINSTON METROPOLITAN DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 11 - RELATED PARTIES (CONTINUED)

a total of \$759,941 of principle and \$5,592 in interest for the capital advances received. The District also paid CED construction management costs totaling \$233,747 for the year ended December 31, 2020. During 2020, MRES advanced \$331,511 to the District for the construction, operation and maintenance of the public improvements and advanced \$90,790 for general operating expenditures for the District. The District repaid MRES a total of \$331,511 of principle and \$11,753 in interest for the capital advances received.

During 2020, the District received \$1,982,353 from Kinston Metropolitan District No. 5 to pay for public improvements and to repay developer advances. This amount is included in intergovernmental expenditures in the accompanying statement of revenues, expenditures, and changes in fund balances.



**SUPPLEMENTARY INFORMATION**

**KINSTON METROPOLITAN DISTRICT NO. 1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND**  
**YEAR ENDED DECEMBER 31, 2020**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental Revenue	\$ -	\$ 20,422,011	\$ 1,982,353	\$ (18,439,658)
Cost Share Revenue	57,540	160,628		(160,628)
Investment income	-	-	-	-
Total revenues	<u>57,540</u>	<u>20,582,639</u>	<u>1,982,353</u>	<u>(18,600,286)</u>
<b>Expenditures</b>				
Current:				
District Management	25,000	25,000	18,298	6,702
Engineering	25,000	25,000	195,664	(170,664)
Office, Dues, & Other	-	70	686	(616)
Payments to Other Governments	-	211,407	-	211,407
Organizational Formation	200,000	310,000	329,731	(19,731)
Contingency	250,000	250,000	211,407	38,593
Capital Outlay	400,000	1,692,635	1,160,583	532,052
Debt Service				
Repayment of Capital Advances	-	2,092,450	1,091,452	1,000,998
Interest	-	-	17,345	(17,345)
Total expenditures	<u>900,000</u>	<u>4,606,562</u>	<u>3,025,166</u>	<u>1,581,396</u>
Excess of revenues over (under) expenditures	<u>(842,460)</u>	<u>15,976,077</u>	<u>(1,042,813)</u>	<u>(17,018,890)</u>
<b>Other Financing Sources (Uses)</b>				
Developer Advances	642,460	2,092,450	1,091,452	(1,000,998)
Proceeds From Capital Note	200,000	-	-	-
Total other financing sources and uses	<u>842,460</u>	<u>2,092,450</u>	<u>1,091,452</u>	<u>(1,000,998)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 18,068,527</u>	48,639	<u>\$ (18,019,888)</u>
Fund balances, beginning of year			<u>-</u>	
Fund balances, end of year			<u>\$ 48,639</u>	