KINSTON METROPOLITAN DISTRICT NO. 1

FINANCIAL STATEMENTS
DECEMBER 31, 2025

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THE ADAMS GROUP, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Kinston Metropolitan District No.1
Loveland, Colorado

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Kinston Metropolitan District No. 1 (the District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Kinston Metropolitan District No. 1, 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 Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Management has 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary 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 budgetary comparison schedule is presented for purposes of additional analysis and is 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 budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Adams Group, LLC

Greenwood Village, Colorado
July 9, 2026

BASIC FINANCIAL STATEMENTS

KINSTON METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
Assets	
Cash and investments	$ 50,977
Cash and investments - restricted	5,256,282
Accounts receivable	40,635
Developer advances receivable	2,167,829
Other assets	333,458
Prepaid items	40,853
Capital assets, not being depreciated	33,246,458
Total assets	41,136,492
Liabilities	
Accounts payable	2,163,305
Retainage payable	209,857
Accrued interest	206,912
Noncurrent liabilities:	
Due in more than one year	
Developer advances	21,840,382
Total liabilities	24,420,456
Net Position	
Net investment in capital assets	13,928,520
Restricted for:	
Emergencies	10,694
Capital projects	5,256,282
Unrestricted (deficit)	(2,479,460)
Total net position	$ 16,716,036

The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
General government	$ 1,842,794	$ -	$ 348,205	$ 14,742,584	$ 13,247,995
Interest and fiscal charges	1,459,557	-	-	-	(1,459,557)
Total Governmental Activities	$ 3,302,351	$ -	$ 348,205	$ 14,742,584	11,788,438
General Revenues:					
Investment earnings					8,262
Total General Revenues					8,262
Non-Operating Expenses					
Loss on disposal of assets					(9,045,752)
Change in Net Position					2,750,948
Net Position, Beginning					13,965,088
Net Position, Ending					$ 16,716,036

The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	Capital Project Fund	Total Governmental Funds
Assets			
Cash and investments	$ 5,520	$ 45,457	$ 50,977
Cash and investments - restricted	-	5,256,282	5,256,282
Accounts receivable	40,635	-	40,635
Developer advance receivable	110,430	2,057,399	2,167,829
Other assets	-	333,458	333,458
Prepaid items	40,853	-	40,853
Total Assets	$ 197,438	$ 7,692,596	$ 7,890,034
Liabilities			
Accounts payable	$ 68,379	$ 2,094,926	$ 2,163,305
Retainage payable	-	209,857	209,857
Total Liabilities	68,379	2,304,783	2,373,162
Fund Balance			
Nonspendable:			
Prepaid items	40,853	333,458	374,311
Restricted:			
Capital projects	-	5,256,282	5,256,282
Emergencies	10,694	-	10,694
Unassigned (deficit)	77,512	(201,927)	(124,415)
Total Fund Balances	129,059	5,387,813	5,516,872
Total Liabilities and Fund Balance	$ 197,438	$ 7,692,596	$ 7,890,034

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, 2025

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

Total fund balance, governmental funds	$ 5,516,872
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,246,458
Some liabilities are not due in the current period and, therefore, are not reported in the fund balance sheet.	
Developer advances - operating	(1,639,281)
Developer advances - capital	(20,201,101)
Accrued interest	(206,912)
Total net position of governmental activities	$ 16,716,036

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, 2025

	General Fund	Capital Project Fund	Total Governmental Funds
Revenues			
Intergovernmental	$ 238,914	$ 14,742,584	$ 14,981,498
Fees	109,291	-	109,291
Interest & other	8,262	-	8,262
Total revenues	356,467	14,742,584	15,099,051
Expenditures			
Current:			
Accounting and finance	94,331	-	94,331
Audit	17,000	-	17,000
District management	78,477	29,411	107,888
Facilities management	30,425	-	30,425
Director fees	7,000	-	7,000
Election	18,231	-	18,231
Engineering	-	80,909	80,909
Insurance	29,701	-	29,701
Office, dues, newsletters, other	13,684	18,694	32,378
Legal	59,395	-	59,395
Utilities	101,119	-	101,119
Stormwater facilities	3,376	-	3,376
HOA maintenance	161,695	-	161,695
Amenities	5,941	-	5,941
Payments to other governments	-	1,093,021	1,093,021
Repairs and maintenance	384	-	384
Capital outlay	-	8,521,083	8,521,083
Debt service:			
Repayment of Capital Advances	-	10,422,127	10,422,127
Interest	-	3,227,436	3,227,436
Total expenditures	620,759	23,392,681	24,013,440
Excess (Deficiency) of Revenues Over (Under) Expenditures	(264,292)	(8,650,097)	(8,914,389)
Other Financing Sources (Uses)			
Developer advances	382,283	13,612,435	13,994,718
Total other financing sources (uses)	382,283	13,612,435	13,994,718
Net change in fund balances	117,991	4,962,338	5,080,329
Fund balances, beginning of year	11,068	425,475	436,543
Fund balances, end of year	$ 129,059	$ 5,387,813	$ 5,516,872

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, 2025

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	$ 5,080,329
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	8,521,083
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	(13,994,718)
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.	10,422,127
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental funds.	
Loss on disposal of assets	(9,045,752)
Change in accrued interest payable	1,767,879
Changes in net position of governmental activities	$ 2,750,948

The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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 Loveland, 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 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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

construction of the aforementioned improvements. A net position of $17,826,366 is reflected on the District's statement of net position as of December 31, 2025.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 by the Board at a public hearing. 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 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.

Capital Assets

Capital assets consist entirely of construction projects in process. Therefore, no depreciation is calculated on these assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2025 and budget fiscal year 2026, 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.

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, 2025, the District had $374,311 of nonspendable fund balance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2025, the District had $5,266,976 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, 2025, 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, 2025, the District had $0 of assigned fund balance.

Unassigned fund balance – amounts that are available for any purpose. At December 31, 2025, the capital projects fund had a deficit unassigned fund balance of ($201,927) because of the balance of restricted cash and deposits.

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 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, 2025, are classified in the accompanying financial statements as follows:

Statement of net position:		
Cash and investments	$	50,977
Cash and investments - restricted		5,256,282
Total cash and investments	$	5,307,259

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

Deposits with financial institutions	$	5,297,009
Investments		10,250
Total cash and investments	$	5,307,259

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, 2025, the District's cash deposits had a bank balance of $5,297,009 and a carrying balance of $5,297,009. At December 31, 2025, all 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
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools*

As of December 31, 2025, the District had the following investments:

Investment	Maturity	Carrying Amount
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	$ 10,250

COLOTRUST

During 2025, the District invested in Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to $1.00.

The District invested in the COLOTRUST PLUS+ portfolio. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and repurchase agreements collateralized by certain obligations of U.S. government agencies.

A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals.

Investment Valuation

Certain investments that are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

However, the District's investments are not measured at fair value and are therefore not categorized within the fair value hierarchy. These investments include 2a7-like external investment pools. The District is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value (NAV) per share (or its equivalent) of the investment.

Colotrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colotrust, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with GASB guidance. There are no unfunded commitments, and the redemption frequency is daily and there is no redemption notice period.

NOTE 4 - CAPITAL ASSETS

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

Governmental Activities	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025
Capital assets, not being depreciated:				
Construction in progress	$ 33,771,127	$ 8,521,083	$ (9,045,752)	$ 33,246,458
Total Capital Assets	$ 33,771,127	$ 8,521,083	$ (9,045,752)	$ 33,246,458

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 certain improvements to the City of Loveland or other appropriate governmental or quasi-governmental entities.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2025:

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025	Due Within One Year
Governmental activities:					
Developer advances operating	$ 1,256,998	$ 382,283	$ -	$ 1,639,281	$ -
Developer advances capital	17,010,793	13,612,435	(10,422,127)	20,201,101	-
	$ 18,267,791	$ 13,994,718	$ (10,422,127)	$ 21,840,382	$ -

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. On January 1, 2021, the District refunded the note and issued a new subordinate promissory note to CED with a maturity date of December 31, 2021. On November 11, 2021, CED and the District amended the agreement and issued a new subordinate promissory note to CED with a maturity date of December 18, 2059. District made no repayment on the note for the year ended December 31, 2025.

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

annual appropriation of funds by the District. On November 12, 2020, the District and CED amended the agreement to provide up to $450,000 in advances through December 31, 2021, and the District refunded the note and issued a new subordinate note to CED with a maturity date of December 31, 2021. On November 11, 2021 the District and CED amended the agreement to provide up to $725,000 in advances through December 31, 2022, and the District refunded the note and issued a new subordinate note to CED with a maturity date of June 17, 2060. On December 8, 2022 the District and CED amended the agreement to provide up to $1,000,000 in advances through December 31, 2023, and the District refunded the note and issued a new subordinate note to CED with a maturity date of June 17, 2060. On November 3, 2023 the District and CED amended the agreement to provide up to $1,500,000 in advances through December 31, 2024, and the District refunded the note and issued a new subordinate note to CED with a maturity date of June 17, 2060. On November 14, 2024 the District and CED amended the agreement to provide up to $1,750,000 in advances through December 31, 2025, and the District refunded the note and issued a new subordinate note to CED with a maturity date of June 17, 2060. On November 13, 2025 the District and CED amended the agreement to provide up to $2,000,000 in advances through December 31, 2026, and the District refunded the note and issued a new subordinate note to CED with a maturity date of June 17, 2060. The District received $166,356 in advances from CED and made no repayment on the note for the year ended December 31, 2025.

Developer Advances – Capital

On June 18, 2020, the District entered into an improvement acquisition, advance and reimbursement agreement with CED pursuant to which CED agreed to construct public improvements for acquisition by the District or advance up to $2,200,000 to the District for the construction of public improvements by the District, through December 31, 2020. The District agreed to repay CED for the advances and public improvements and evidenced its repayment obligation by issuing a subordinate promissory note to CED on June 18, 2020, with a maturity date of December 31, 2020. The note bears simple interest at the federal Prime Interest Rate (as reported on the date of issuance by The Wall Street Journal) plus 3%, up to a maximum or 8.5%, whichever is greater. On November 12, 2020, the District and CED amended the agreement to provide up to $4,600,000 in advances through December 31, 2021, and the District refunded the note and issued a new subordinate promissory note to CED with a maturity date of December 31, 2021. On April 8, 2021, the District and CED amended the agreement to provide up to $8,500,000 in advances through December 31, 2021, and the District refunded the note and issued a new subordinate note to CED with a maturity date of December 31, 2021. On November 11, 2021, the District and CED amended the agreement to provide up to $29,500,000 in advances through

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

December 31, 2022, and the District refunded the note and issued a new subordinate note to CED with a maturity date of June 17, 2060. On December 8, 2022, the District and CED amended the agreement to extend the term through December 31, 2023. On November 3, 2023 the District and CED amended the agreement to provide up to $43,500,000 in advances through December 31, 2023, and the District refunded the note and issued a new subordinate note to CED with a maturity date of June 17, 2060. On November 14, 2024 the District and CED amended and restated the agreement to clarify advances from CED and to provide up to $38,000,000 in advances through December 31, 2024, and the District refunded the note and issued a new subordinate note to CED with a maturity date of June 17, 2060. On November 13, 2025 the District and CED amended and restated the agreement to clarify advances from CED to provide up to $85,000,000 in advances through December 31, 2026, and the District refunded the note and issued a new subordinate note to CED with a maturity date of June 17, 2060. The District received $13,612,435 in advances from CED and paid $10,422,127 and $3,227,436 of principal and interest during the year ended December 31, 2025.

Authorized Debt

On November 5, 2019, a majority of eligible electors of the District authorized the issuance of indebtedness in an amount not to exceed $2,720,000,000. On November 4, 2025, a majority of eligible electors authorized the issuance of additional indebtedness in an amount not to exceed $3,060,000,000. The District's Service Plan limits the maximum amount of debt that may be issued by Kinston Metropolitan District Nos. 1 – 10 collectively to $170,000,000, in 2019 dollars, as adjusted based on the Engineering News-Record's Denver Builder Cost Index.

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 net position classifications as of December 31, 2025, as follows:

NOTE 6 - NET POSITION (CONTINUED)

Net investment in capital assets	$ 13,928,520
Restricted for:	
Emergencies	10,694
Capital Projects	5,256,282
Unrestricted (deficit)	(2,479,460)
Total net position	$ 16,716,036

Unrestricted net position reflects a deficit due to loans to third parties and cash restricted for capital projects.

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 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

NOTE 8 – CONTINGENCY (CONTINUED)

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 District and Kinston Metropolitan District Nos. 2-10.

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

On September 5, 2025, the District’s voters passed an election question authorizing the retention of all revenues received from any source during the 2025 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 – INTERGOVERNMENTAL AGREEMENT CONCERNING DISTRICT OPERATIONS

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

NOTE 10 - INTERGOVERNMENTAL AGREEMENT CONCERNING DISTRICT OPERATIONS

was amended and restated on November 19, 2020 and November 3, 2023, and further amended on September 5, 2025 (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 District No.1's costs of acquiring, constructing, operating, and maintaining public improvements for the Districts, and the general operating expenditures of the District. The District received $14,981,498 for services fees and capital expenditure funding from Kinston Metropolitan District Nos. 2-10 during 2025.

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. Realberry Real Estate Services, LLC (Realberry), formerly, Centerra East Development, Inc. is the developer for Kinston. Realberry 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 Ralberry Real Estate Services, LLC. Realberry 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 Realberry as described in Note 5. During 2025, Realberry advanced $382,283 for general operating expenditures and $13,612,435 for capital expenditures for the District. The District paid Realberry $11,515,148 and $3,227,436 of principal and interest on outstanding loans. During 2025, the District paid Realberry $709,776 for project management costs.

NOTE 12 – COST SHARING AGREEMENT

On February 20, 2020 the District and Centerra Metropolitan District No. 1 (CMD1) entered into an intergovernmental cost sharing agreement relating to the allocation of costs between the District and CMD1 associated with the construction, installation, operations, and maintenance of any improvements that will mutually benefit the districts. Upon completion of projects outlined in the agreement, the District shall invoice CMD1 for CMD1's allocation of costs for the project. On September 21, 2023 the agreement was amended to state that CMD1 will seek reimbursement from the District for the remaining projects. During the year ended December 31, 2025 the District paid $1,093,021 to the CMD1 under the agreement.

REQUIRED SUPPLEMENTARY INFORMATION

KINSTON METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	$ 232,932	$ 238,914	$ 5,982
Fees	82,750	109,291	26,541
Interest & other	3,000	8,262	5,262
Total revenues	318,682	356,467	37,785
Expenditures			
Current:			
Accounting and finance	84,010	94,331	(10,321)
Audit	17,000	17,000	-
District management	94,085	78,477	15,608
Facilities management	20,150	30,425	(10,275)
Director fees	14,000	7,000	7,000
Election	15,000	18,231	(3,231)
Engineering	15,000	-	15,000
Insurance	30,000	29,701	299
Office, dues, newsletters, other	9,500	13,684	(4,184)
Utilities	85,000	101,119	(16,119)
Legal	83,000	59,395	23,605
Stormwater facilities	4,500	3,376	1,124
HOA maintenance	168,900	161,695	7,205
Amenities	12,500	5,941	6,559
Contingency	20,000	-	20,000
Repairs and maintenance	5,000	384	4,616
Total expenditures	677,645	620,759	56,886
Excess (Deficiency) of Revenues Over (Under) Expenditures	(358,963)	(264,292)	94,671
Other Financing Sources (Uses)			
Developer advances operating	358,963	382,283	23,320
Net change in fund balance	$ -	117,991	$ 117,991
Fund balances, beginning of year		11,068	
Fund balances, end of year		$ 129,059	

See accompanying independent auditors' report.

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, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental revenue	$ -	$ -	$ 14,742,584	$ 14,742,584
Total revenues	-	-	14,742,584	14,742,584
Expenditures				
Current:				
District management	50,000	50,000	29,411	20,589
Engineering	85,000	85,000	80,909	4,091
Office, dues, & other	-	-	18,694	(18,694)
Payments to Other Governments	-	-	1,093,021	(1,093,021)
Capital outlay	19,812,768	23,306,555	8,521,083	14,785,472
Debt Service				-
Repayment of Capital Advances	-	-	10,422,127	(10,422,127)
Interest	-	-	3,227,436	(3,227,436)
Total expenditures	19,947,768	23,441,555	23,392,681	48,874
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,947,768)	(23,441,555)	(8,650,097)	14,791,458
Other Financing Sources (Uses)				
Proceeds from capital note	19,947,768	19,947,768	13,612,435	(6,335,333)
Total other financing sources (uses)	19,947,768	19,947,768	13,612,435	(6,335,333)
Net change in fund balance	$ -	$ (3,493,787)	4,962,338	$ 8,456,125
Fund balances, beginning of year			425,475	
Fund balances, end of year			$ 5,387,813	

See accompanying independent auditors' report.