# KINSTON METROPOLITAN DISTRICT NO. 5

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. 5
Loveland, Colorado

## *Opinions*

We have audited the financial statements of the governmental activities and each major fund of the Kinston Metropolitan District No. 5 (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. 5, 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 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

KINSTON METROPOLITAN DISTRICT NO. 5
STATEMENT OF NET POSITION
DECEMBER 31, 2025

| | Governmental Activities |
|---|---|
| Assets | |
| Cash and investments - restricted | $ 7,588,297 |
| Property taxes receivable | 87,732 |
| Accounts receivable | 6,068 |
| Total assets | 7,682,097 |
| Deferred Outflows Of Resources | |
| Loss on refunding of debt | 717,000 |
| Total deferred outflows of resources | 717,000 |
| Liabilities | |
| Accrued interest | 267,871 |
| Noncurrent liabilities: | |
| Due in more than one year | |
| Series 2025 bonds, net of unamortized discount | 51,833,640 |
| Total liabilities | 52,101,511 |
| Deferred Inflows Of Resources | |
| Unavailable revenue - property taxes | 87,732 |
| Total deferred inflows of resources | 87,732 |
| Net Position | |
| Restricted for: | |
| Emergencies | 10,800 |
| Debt service | 7,295,785 |
| Capital projects | 30,709 |
| Unrestricted (deficit) | (51,127,440) |
| Total net position (deficit) | $ (43,790,146) |

The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 5
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 | $ 14,775,539 | $ 853,333 | $ - | $ - | $ (13,922,206) |
| Interest and fiscal charges | 3,552,970 | - | - | - | (3,552,970) |
| Total Governmental Activities | $ 18,328,509 | $ 853,333 | $ - | $ - | (17,475,176) |
| General Revenues: | | | | | |
| Property taxes | | | | | 156,262 |
| Investment earnings | | | | | 332,339 |
| Total General Revenues | | | | | 488,601 |
| Change in Net Position | | | | | (16,986,575) |
| Net Position, Beginning (deficit) | | | | | (26,803,571) |
| Net Position, Ending (deficit) | | | | | $ (43,790,146) |

The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 5
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2025

| | General Fund | Debt Service Fund | Total Governmental Funds |
|---|---|---|---|
| Assets | | | |
| Cash and investments - restricted | $ - | $ 7,588,297 | $ 7,588,297 |
| Property taxes receivable | 17,090 | 70,642 | 87,732 |
| Accounts receivable | - | 6,068 | 6,068 |
| Total assets | $ 17,090 | $ 7,665,007 | $ 7,682,097 |
| Deferred Inflows Of Resources | | | |
| Unavailable revenue - property taxes | $ 17,090 | $ 70,642 | $ 87,732 |
| Total deferred inflows of resources | 17,090 | 70,642 | 87,732 |
| Fund Balance | | | |
| Restricted: | | | |
| Debt service | - | 7,563,656 | 7,563,656 |
| Capital projects | - | 30,709 | 30,709 |
| Emergencies | 10,800 | - | 10,800 |
| Unassigned (deficit) | (10,800) | - | (10,800) |
| Total fund balances | - | 7,594,365 | 7,594,365 |
| Total liabilities, deferred inflows of resources and fund balance | $ 17,090 | $ 7,665,007 | $ 7,682,097 |

The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 5
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: | |
| Fund balance of Governmental funds | $ 7,594,365 |
| Deferred losses on debt refundings are recognized as deferred outflows of resources and, therefore, are not reported in the funds. | 717,000 |
| Some liabilities are not due in the current period and, therefore, are not reported in the fund balance sheet. | |
| Series 2025A/Series 2025B bonds | (52,430,000) |
| Discount on bond issuance | 596,360 |
| Accrued interest | (267,871) |
| Net Position of Governmental Activities | $ (43,790,146) |

The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

| | General Fund | Debt Service Fund | Total Governmental Funds |
|---|---|---|---|
| Revenues | | | |
| Property taxes | $ 30,441 | $ 125,821 | $ 156,262 |
| District service fees | - | 853,333 | 853,333 |
| Investment earnings | - | 332,339 | 332,339 |
| Total revenues | 30,441 | 1,311,493 | 1,341,934 |
| Expenditures | | | |
| Current: | | | |
| Payment for services to District 1 | 29,832 | 14,742,584 | 14,772,416 |
| Treasurer's fees | 609 | 2,514 | 3,123 |
| Agent fees | - | 7,971 | 7,971 |
| Debt service: | | | |
| Cost of Issuance | - | 2,598,857 | 2,598,857 |
| Principal | - | 23,900,000 | 23,900,000 |
| Interest | - | 6,038,047 | 6,038,047 |
| Total expenditures | 30,441 | 47,289,973 | 47,320,414 |
| **Other Financing Sources (Uses)** | | | |
| Bond Proceeds | - | 52,430,000 | 52,430,000 |
| Total other financing sources (uses) | - | 52,430,000 | 52,430,000 |
| Net change in fund balances | - | 6,451,520 | 6,451,520 |
| Fund balances, beginning of year | - | 1,142,845 | 1,142,845 |
| Fund balances, end of year | $ - | $ 7,594,365 | $ 7,594,365 |

The notes are an integral part of these financial statements.

# KINSTON METROPOLITAN DISTRICT NO. 5
## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE 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 | $ 6,451,520 |
| 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: | |
| Proceeds from Bond Issuance | (52,430,000) |
| Principal payments on outstanding bonds | 23,900,000 |
| Early call premiums paid on refunded bonds that are reported as deferred losses on refunding on the statement of net position | 717,000 |
| Discount on bond issuance that is amortized over the life of the bonds on the statement of net position | 596,360 |
| 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. | |
| Change in accrued interest payable | 3,778,545 |
| Change in Net Position of Governmental Activities | $ (16,986,575) |

The notes are an integral part of these financial statements.

KINSTON METROPOLITAN DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

## NOTE 1 - DEFINITION OF REPORTING ENTITY

Kinston Metropolitan District No. 5 (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 to finance the acquisition, construction, and installation of improvements, for the use and benefit of property owners, residents, taxpayers, and system users within 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. 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 repayment of bonds issued to construct the aforementioned improvements. Consequently, a net deficit balance is reflected on the District's statement of net position as of December 31, 2025.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

*Debt Service Fund* accounts for the resources accumulated and payments made for principal, interest, and related expenses on the long-term general obligation debt of the governmental funds.

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.

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.

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 $0 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 $7,605,165 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 no assigned fund balance.

*Unassigned fund balance* – amounts that are available for any purpose. At December 31, 2025, the general fund had a deficit unassigned fund balance of $10,800.

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 assigned 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 - restricted | $ 7,588,297 |
| Total cash and investments | $ 7,588,297 |

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

| | |
|---|---|
| Investments | $ 7,588,297 |
| Total cash and investments | $ 7,588,297 |

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.

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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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, 2025, the District had the following investments:

| Investment | Maturity | Fair Value |
|---|---|---|
| Colotrust | Less than One Year | $ 7,588,297 |

Through its bond trustee, UMB, the District invested in the 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 the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1.00. The District has invested in the Trust's 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 the Trust's portfolio pursuant to a custodian agreement.

The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAm by Standards & Poor's.

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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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.

Investment Valuation

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 to 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.

Annual audited financial statements of COLOTRUST can be obtained at: https://www.colotrust.com/document-center/.

NOTE 4 - 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: | | | | | |
| General obligation bonds: | | | | | |
| Series 2020A | $ 12,400,000 | $ - | $ (12,400,000) | $ - | $ - |
| Series 2020B | 11,500,000 | - | (11,500,000) | - | - |
| Series 2025A | - | 42,430,000 | - | 42,430,000 | - |
| Series 2025B | - | 10,000,000 | - | 10,000,000 | - |
| Unamortized discount | - | (596,360) | - | (596,360) | 27,879 |
| | $ 23,900,000 | $ 51,833,640 | $ (23,900,000) | $ 51,833,640 | $ 27,879 |

Senior General Obligation Limited Tax Bonds, Series 2020A

On November 19, 2020, the District issued $12,400,000 of Limited Tax General Obligation Bonds Series 2020A (the 2020A Bonds). The 2020A Bonds were issued with an interest rate of 4.625% to 5.125% per annum. Interest is payable semi-annually on

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

June 1 and December 1, commencing on June 1, 2021. Any unpaid interest compounds semi-annually thereafter. The 2020A Bonds mature on December 1, 2050. If any principal or interest remains unpaid on that date, the 2020A bonds are discharged.

Principal is payable each December 1 from the available pledged revenues, if any. The failure to pay principal of or interest on the 2020A Bonds when due shall not constitute an event of default or result in the acceleration of the 2020A Bonds.

The 2020A Bonds are secured and payable from the Senior Pledged Revenues, consisting generally of (i) all Senior Property Tax Revenues, (ii) all Senior Specific Ownership Tax Revenues, and (iii) any other legally available moneys which the District determines in its absolute discretion. The District along with Kinston Metropolitan Districts Nos. 2, 3, 4, and 10 have each covenanted to levy the Senior Required Mill Levy, to generate senior property tax revenue. The mill levy is capped at 62 mills, subject to adjustment as provided in the Senior Pledge Agreement among the District and Districts Nos. 2, 3, 4, and 10. The mill levy to be imposed by District No. 10 for the repayment of the 2020A Bonds is capped at 62 mills less the debt service mill levy imposed by Centerra Metropolitan District Nos. 2 and 4. Failure to make any payment does not result in the acceleration of the principal on the debt. The proceeds of the 2020A Bonds were used to: (i) finance public improvements related to the development, (ii) fund capitalized interest on the 2020A Bonds, (iii) fund the Senior Reserve Fund, and (iv) pay the costs of issuance of the 2020A and 2020B Bonds. The 2020A Bonds are also secured by the Senior Reserve Fund in the amount of $0. None of these accounts are available to the holders of the Tax-Exempt Subordinated General Obligation Bonds Series 2020B.

The 2020 Bonds cannot be prepaid prior to December 1, 2025. From December 1, 2025 to November 30, 2026 bonds can be prepaid at a redemption premium of 3%. From December 1, 2026 to November 30, 2027 bonds can be prepaid at a redemption premium of 2%. From December 1, 2027 to November 30, 2028 bonds can be prepaid at a redemption premium of 1%. After December 1, 2028 bonds can be redeemed without redemption premium.

The 2020A Bonds, maturing on December 1, 2035 are subject to mandatory sinking fund redemption on December 1, 2028 and on each December 1, thereafter. The 2020A Senior Bonds maturing on December 1, 2050 are subject to a mandatory sinking fund redemption on December 1, 2036 and each December 1, thereafter. The 2020A Bonds were refunded in full on October 1, 2025, and an early call premium of $372,000 was paid as a part of the refunding.

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Subordinated General Obligation Limited Tax Bonds, Series 2020B

On November 19, 2020, the District issued $11,500,000 of Subordinate Limited Tax General Obligation Bonds Series 2020B (the 2020B Bonds). The 2020B Bonds were issued with an interest rate of 7.5% per annum. Interest is payable annually on December 15, commencing on December 15, 2021. Any unpaid interest compounds annually thereafter. The 2020 Bonds mature on December 15, 2052. The 2020B Bonds are structured as cash flow bonds, meaning that the Indenture contains no scheduled payments of principal on the Bonds other than at maturity. Principal is payable each December 15 from the available subordinate pledged revenues, if any, pursuant to a mandatory redemption.

All principal is due upon maturity. Payment of principal of and interest on the 2020B Bonds is subordinate to the annual payment of debt service on the 2020A Bonds. The failure to pay principal of or interest on the 2020B Bonds when due shall not constitute an event of default. Any amount of unpaid principal of or interest on the 2020B Bonds shall be deemed discharged on December 15, 2059.

The 2020B Bonds are secured and payable from the Subordinate Pledged Revenues, consisting generally of (i) all Subordinate Property Tax Revenues, (ii) all Subordinate Specific Ownership Tax Revenues, (iii) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund. The District along with Kinston Metropolitan Districts Nos. 2, 3, 4, and 10 have each covenanted to levy the Subordinate Required Mill Levy, to generate the subordinate property tax revenue. The proceeds of the 2020B Bonds were used to finance additional public improvements related to the development.

The 2020B Bonds cannot be prepaid prior to December 1, 2025. From December 1, 2025 to November 30, 2026 bonds can be prepaid at a redemption premium of 3%. From December 1, 2026 to November 30, 2027 bonds can be prepaid at a redemption premium of 2%. From December 1, 2027 to November 30, 2028 bonds can be prepaid at a redemption premium of 1%. After December 1, 2028 bonds can be redeemed without premium.

The 2020B Bonds are subject to mandatory sinking fund redemption, in part by lot on December 15 of each year commencing December 15, 2020 to the extent moneys are available and certain reimbursements are met. The 2020B Bonds are structured as cash flow bonds, meaning that the Indenture contains no scheduled payments of principal on the Bonds other than at maturity. The 2020B Bonds were refunded in full on October 7, 2025, and an early call premium of $345,000 was paid as a part of the refunding.

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Senior General Obligation Limited Tax Bonds, Series 2025A

On October 7, 2025, the District issued $42,430,000 of Limited Tax General Obligation Refunding and Improvement Bonds Series 2025A (the 2025A Bonds) in order to refund the 2020 Series bonds and finance the construction of infrastructure within the Districts' boundaries. The 2025A Bonds were issued with an interest rate of 5% to 5.75% per annum. Interest is payable semi-annually on June 1 and December 1, commencing on December 1, 2025. Any unpaid interest compounds semi-annually thereafter. The 2025A Bonds mature on December 1, 2055. The final discharge date for the 2025 Series A Bonds is October 7, 2065.

Principal is payable each December 1 from the available pledged revenues, if any. The failure to pay principal of or interest on the 2025A Bonds when due shall not constitute an event of default or result in the acceleration of the 2025A Bonds.

The 2025A Bonds are secured and payable from the Senior Pledged Revenues, consisting generally of (i) all Senior Property Tax Revenues, (ii) all Senior Specific Ownership Tax Revenues, and (iii) any other legally available moneys which the District determines in its absolute discretion. The District along with Kinston Metropolitan Districts Nos. 2, 3, 4, and 10 have each covenanted to levy the Senior Required Mill Levy, consisting of ad valorem property taxes. The mill levy is capped at 62 mills, subject to adjustment as provided in the Senior Pledge Agreement among the District and Districts Nos. 2, 3, 4, and 10. The mill levy to be imposed by District No. 10 for the repayment of the 2025A Bonds is capped at 62 mills less the debt service mill levy imposed by Centerra Metropolitan District Nos. 2 and 4. Failure to make any payment does not result in the acceleration of the principal on the debt. The proceeds of the 2025A Bonds were used to: (i) refund the 2020 Series Bonds, (ii) finance a portion of the public improvements related to the development, (iii) fund capitalized interest on the 2025A Bonds, (iv) fund the Senior Reserve Fund, and (v) pay the costs of issuance of the 2025A and 2025B Bonds. The 2025A Bonds are also secured by the Senior Reserve Fund in the amount of $720,544. None of these accounts are available to the holders of the Tax-Exempt Subordinated General Obligation Refunding and Improvement Bonds Series 2025B.

The 2025 Bonds cannot be prepaid prior to December 1, 2030. From December 1, 2030 to November 30, 2031 bonds can be prepaid at a redemption premium of 3%. From December 1, 2031 to November 30, 2032 bonds can be prepaid at a redemption premium of 2%. From December 1, 2032 to November 30, 2033 bonds can be prepaid at a redemption premium of 1%. After December 1, 2033 bonds can be redeemed without redemption premium.

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The 2025A Bonds, maturing on December 1, 2035 are subject to mandatory sinking fund redemption on December 1, 2031 and on each December 1, thereafter. The 2025A Senior Bonds maturing on December 1, 2045 are subject to a mandatory sinking fund redemption on December 1, 2036 and each December 1, thereafter. The 2025A Senior Bonds maturing on December 1, 2055 are subject to a mandatory sinking fund redemption on December 1, 2046 and each December 1, thereafter. The District paid $358,418 of interest on the 2025A bonds during the year ended December 31, 2025. The annual scheduled debt service requirements for the 2025A bonds are shown below:

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ - | $ 2,389,450 | $ 2,389,450 |
| 2027 | - | 2,389,450 | 2,389,450 |
| 2028 | - | 2,389,450 | 2,389,450 |
| 2029 | - | 2,389,450 | 2,389,450 |
| 2030 | - | 2,389,450 | 2,389,450 |
| 2031-2035 | 2,810,000 | 11,713,500 | 14,523,500 |
| 2036-2040 | 4,710,000 | 10,769,828 | 15,479,828 |
| 2041-2045 | 6,970,000 | 9,240,002 | 16,210,002 |
| 2046-2050 | 10,080,000 | 6,956,064 | 17,036,064 |
| 2051-2055 | 17,860,000 | 3,608,414 | 21,468,414 |
| Total | $ 42,430,000 | $ 54,235,058 | $ 96,665,058 |

Subordinated General Obligation Limited Tax Bonds, Series 2025B

On October 7, 2025, the District issued $10,000,000 of Subordinate Limited Tax General Obligation and Refunding Improvement Bonds Series 2025B (the 2025B Bonds) in order to refund the 2020 Series bonds and finance the construction of infrastructure with the Districts' boundaries. The 2025B Bonds were issued with an interest rate of 8.25% per annum. Interest is payable annually on December 15, commencing on December 15, 2025. Any unpaid interest compounds annually thereafter. The 2025 Bonds mature on December 1, 2041. The 2025B Bonds are structured as cash flow bonds, meaning that the Indenture contains no scheduled payments of principal on the Bonds other than at maturity. Principal is payable each December 1 from the available subordinate pledged revenues, if any, pursuant to a mandatory redemption.

Principal is payable on each December 15 from available Subordinate Pledged Revenue, if any. The failure to pay principal of or interest on the 2025B Bonds when due shall not constitute an event of default. The final discharge date for the 2025 Series B Bonds is October 7, 2065 .

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The 2025B Bonds are secured and payable from the Subordinate Pledged Revenues, consisting generally of (i) all Subordinate Property Tax Revenues, (ii) all Subordinate Specific Ownership Tax Revenues, (iii) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund. The District along with Kinston Metropolitan Districts Nos. 2, 3, 4, and 10 have each covenanted to levy the Subordinate Required Mill Levy, to generate subordinate property tax revenues. The proceeds of the 2025B Bonds were used to refund the 2020 series bonds, finance additional public improvements related to the development, and pay for the costs of issuance related to the 2025 B Bonds..

The 2025B Bonds cannot be prepaid prior to December 1, 2030. From December 1, 2030 to November 30, 2031 bonds can be prepaid at a redemption premium of 3%. From December 1, 2031 to November 30, 2032 bonds can be prepaid at a redemption premium of 2%. From December 1, 2032 to November 30, 2023 bonds can be prepaid at a redemption premium of 1%. After December 1, 2033 bonds can be redeemed without premium.

The 2025B Bonds are subject to mandatory sinking fund redemption, as determined by the trustee each November 15. The 2025B Bonds are structured as cash flow bonds, meaning that the Indenture contains no scheduled payments of principal on the Bonds other than at maturity.

Senior Pledge Agreement

Pursuant to the Senior Pledge Agreement and Subordinate Pledge Agreement, the District, along with Kinston Metropolitan District Nos. 2, 3, 4, and 10 will service the 2025A and 2025B Bonds with revenues derived from the required Senior and Subordinate Mill Levies.

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. As of December 31, 2025, only the District has issued debt in the total amount of $52,430,000, resulting in $117,570,000 remaining in unissued debt allowed under the Service Plan.

## NOTE 5 - NET POSITION

The District's net position consists of two components – 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, 2025, of $10,800 restricted for emergencies, $7,295,785 restricted for debt service, and $30,709 restricted for capital projects.

In the government-wide financial statements, the District's liabilities and deferred inflows of resources exceeded assets by $43,790,146 as a result of outstanding principal and accrued interest on the 2025A and 2025B Bonds and payments to Kinston Metropolitan District No. 1 to fund construction costs with proceeds from the 2025 bond issuance.

## NOTE 6 - 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 during the last 3 years of district operations.

## NOTE 7 - CONTINGENCY

The property in the service area of the District is currently undergoing development. 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.

The developer has estimated the cost of public improvements necessary to serve the property in the development to be approximately $146 million. The developer 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 8 - 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 budget year and each budget 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 9 – INTERGOVERNMENTAL AGREEMENT CONCERNING DISTRICT OPERATIONS

In order to implement the Service Plan, the District entered into an intergovernmental agreement with Kinston Metropolitan Districts No. 1, 3-10 on December 19, 2019, which was amended and restated on November 19, 2020 and further amended on November 3, 2023 (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 Districts.

## NOTE 10 - 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 Realberry Real Estate Services, LLC. Realberry may transact business with the District in the future.

# REQUIRED SUPPLEMENTARY INFORMATION

KINSTON METROPOLITAN DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE – BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues | | | |
| Property taxes | $ 30,441 | $ 30,441 | $ - |
| Interest & Other | 100 | - | (100) |
| Total revenues | 30,541 | 30,441 | (100) |
| Expenditures | | | |
| Current: | | | |
| Payment for Services to District #1 | 29,832 | 29,832 | - |
| Treasurer's fees | 609 | 609 | - |
| Contingency | 100 | - | 100 |
| Total expenditures | 30,541 | 30,441 | 100 |
| Net change in fund balance | $ - | - | $ - |
| Fund balance, beginning of year | | - | |
| Fund balance, end of year | | $ - | |

SUPPLEMENTARY INFORMATION

# KINSTON METROPOLITAN DISTRICT NO. 5
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – DEBT SERVICE FUND
## YEAR ENDED DECEMBER 31, 2025

| | Original and Final Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| Revenues | | | | |
| Property taxes | $ 125,821 | $ 125,821 | $ 125,821 | $ - |
| Specific ownership taxes | - | - | - | - |
| Service fees, District 2 | 837,467 | 837,467 | 840,885 | 3,418 |
| Service fees, District 3 | 44 | 44 | 57 | 13 |
| Service fees, District 4 | 96 | 96 | 7,963 | 7,867 |
| Service fees, District 10 | 528 | 528 | 4,428 | 3,900 |
| Investment earnings | 48,000 | 48,000 | 332,339 | 284,339 |
| Total revenues | 1,011,956 | 1,011,956 | 1,311,493 | 299,537 |
| Expenditures | | | | |
| Current | | | | |
| Treasurer fees | 2,516 | 2,516 | 2,514 | 2 |
| Trustee fees | 7,000 | 7,970 | 7,971 | (1) |
| Contingency | 5,000 | - | - | - |
| Payment to District 1 | - | 14,742,584 | 14,742,584 | - |
| Debt service | | | | - |
| Principal | - | 24,617,000 | 23,900,000 | 717,000 |
| Interest | 625,500 | 6,038,047 | 6,038,047 | - |
| Bond issuance costs | - | 1,881,857 | 2,598,857 | (717,000) |
| Total expenditures | 640,016 | 47,289,974 | 47,289,973 | 1 |
| Excess of revenues over (under) expenditures | 371,940 | (46,278,018) | (45,978,480) | 299,538 |
| **Other Financing Sources (Uses)** | | | | |
| Bond Proceeds | $ - | $ 52,430,000 | 52,430,000 | $ - |
| Total other financing sources and uses | - | 52,430,000 | 52,430,000 | - |
| Net change in fund balance | $ 371,940 | $ (46,278,018) | $ 6,451,520 | $ 299,538 |
| Fund balance, beginning of year | | | 1,142,845 | |
| Fund balance, end of year | | | $ 7,594,365 | |

See accompanying independent auditors' report.