

Velocity Metropolitan District No. 1

Financial Statements

Year Ended December 31, 2020

with

Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
Velocity Metropolitan District No. 1
Adams County, Colorado

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Velocity Metropolitan District No. 1 as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

January 10, 2022

VELOCITY METROPOLITAN DISTRICT NO. 1

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 493,861	\$ 43	-	\$ 493,904	\$ -	\$ 493,904
Property taxes receivable	5	161	-	166	-	166
Receivable Porteos	202	-	-	202	-	202
Receivable from District No. 3	90,773	-	733,966	824,739	-	824,739
Receivable from Distrcts No. 4-9	-	-	48,750	48,750	-	48,750
Accounts Receivable - Developer	-	-	16,848	16,848	(16,848)	-
Capital assets not being depreciated	-	-	-	-	39,892,479	39,892,479
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 584,841</u>	<u>\$ 204</u>	<u>799,564</u>	<u>\$ 1,384,609</u>	<u>39,875,631</u>	<u>41,260,240</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	339,007	\$ 339,007	-	339,007
Payable to District 2-9	583,449	-	-	583,449	-	583,449
Retainage payable	-	-	310,289	310,289	-	310,289
Payable to Porteos	-	-	39,828	39,828	-	39,828
Long-term liabilities:						
Due in more than one year	-	-	-	-	550,562	550,562
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>583,449</u>	<u>-</u>	<u>689,124</u>	<u>1,272,573</u>	<u>550,562</u>	<u>1,823,135</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	5	161	-	166	-	166
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>5</u>	<u>161</u>	<u>-</u>	<u>166</u>	<u>-</u>	<u>166</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Emergencies	-	-	-	-	-	-
Debt service	-	43	-	43	(43)	-
Capital projects	-	-	110,440	110,440	(110,440)	-
Unassigned	1,387	-	-	1,387	(1,387)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,387</u>	<u>43</u>	<u>110,440</u>	<u>111,870</u>	<u>(111,870)</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 584,841</u>	<u>\$ 204</u>	<u>799,564</u>	<u>\$ 1,384,609</u>		
Net Position:						
Net investment in capital assets					39,341,917	39,341,917
Unrestricted					(15,461)	(15,461)
					<u> </u>	<u> </u>
Total Net Position					<u>\$ 39,436,939</u>	<u>\$ 39,436,939</u>

The notes to the financial statements are an integral part of these statements.

VELOCITY METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ -	\$ -	34,526	\$ 34,526	\$ (34,526)	\$ -
Management fees	-	-	234,000	234,000	(234,000)	-
Legal	-	-	79,082	79,082	(79,082)	-
Capital Expenditures	-	-	12,504,371	12,504,371	(12,504,371)	-
Transfer to BID	-	-	19,282	19,282	-	19,282
Repay developer advances - principal	-	-	524,882	524,882	(524,882)	-
Developer advances - interest	-	-	81,554	81,554	(2,934)	78,620
Total Expenditures	-	-	13,477,697	13,477,697	(13,379,795)	97,902
GENERAL REVENUES						
Property taxes	-	40	-	40	-	40
Specific ownership taxes	-	3	-	3	-	3
Transfer from District 5	-	-	583,456	583,456	-	583,456
Transfer from District 3	-	-	12,543,564	12,543,564	-	12,543,564
Miscellaneous income	10	-	146,003	146,013	-	146,013
Total General Revenues	10	43	13,273,023	13,273,076	-	13,273,076
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	10	43	(204,674)	(204,621)	13,379,795	13,175,174
OTHER FINANCING SOURCES (USES)						
Developer advances	-	-	312,107	312,107	(312,107)	-
Total Other Financing Sources (Uses)	-	-	312,107	312,107	(312,107)	-
NET CHANGES IN FUND BALANCES						
	10	43	107,433	107,486	(107,486)	
CHANGE IN NET POSITION						
					13,175,174	13,175,174
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	1,377	-	3,007	4,384	26,257,381	26,261,765
END OF YEAR	\$ 1,387	\$ 43	110,440	\$ 111,870	\$ 39,325,069	\$ 39,436,939

The notes to the financial statements are an integral part of these statements.

VELOCITY METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2020

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES			
Miscellaneous income	\$ -	\$ 10	\$ 10
Total Revenues	<u>-</u>	<u>10</u>	<u>10</u>
EXPENDITURES			
Emergency reserve	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	10	10
FUND BALANCE:			
BEGINNING OF YEAR	<u>76,834</u>	<u>1,377</u>	<u>(75,457)</u>
END OF YEAR	<u>\$ 76,834</u>	<u>\$ 1,387</u>	<u>\$ (75,447)</u>

The notes to the financial statements are an integral part of these statements.

Velocity Metropolitan District No. 1

Notes to Financial Statements December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Velocity Metropolitan District No. 1 (“District”), located in Adams County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized in May 2008 as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District's primary revenues are transfers from Velocity Metropolitan District No. 3 (“District 3”). The District was organized concurrently with Velocity Metropolitan Districts Nos. 2-9 (“Districts 2-9”) and is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which amended GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

Velocity Metropolitan District No. 1

Notes to Financial Statements December 31, 2020

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 material sources of revenue subject to accrual are developer advances and transfers from other districts. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Velocity Metropolitan District No. 1

Notes to Financial Statements December 31, 2020

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Project Fund – The Capital Projects Fund is used to account for the financial resources accumulated and payments made for capital improvements to be paid for with assessments.

Budgetary Accounting

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

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and short-term investments with maturities of three months or less from the date of acquisition are considered to be cash on hand. Investments for the government are reported at fair value.

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

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Velocity Metropolitan District No. 1

Notes to Financial Statements December 31, 2020

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2020.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Velocity Metropolitan District No. 1

Notes to Financial Statements December 31, 2020

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

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

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Velocity Metropolitan District No. 1

Notes to Financial Statements
December 31, 2020

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2020, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ <u>493,904</u>

Cash and investments as of December 31, 2020, consist of the following:

Deposits with financial institutions	\$ 347,890
Colotrust	<u>146,014</u>
	<u>\$ 493,904</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment are not required to be categorized within the fair value hierarchy. This investment’s value for COLOTRUST is calculated using the net asset value method (NAV) per share.

Velocity Metropolitan District No. 1

Notes to Financial Statements December 31, 2020

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

As of December 31, 2020, the District had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST" or the "Trust") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2020, the District had \$146,014 invested in COLOTRUST.

Velocity Metropolitan District No. 1

Notes to Financial Statements
December 31, 2020

Note 3: Capital Assets

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

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2020</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 27,040,500	\$ 12,851,979	\$ -	\$ 39,892,479
Total capital assets not being depreciated	<u>27,040,500</u>	<u>12,851,979</u>	<u>-</u>	<u>39,892,479</u>
Government type assets, net	<u>\$ 27,040,500</u>	<u>\$ 12,851,979</u>	<u>\$ -</u>	<u>\$ 39,892,479</u>

Upon completion and acceptance, all fixed assets except for park and recreation improvements will be conveyed by the District to other local governments. The District will not be responsible for maintenance of the items conveyed to other governments.

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2020, is as follows:

Reimbursement Agreement

On December 9, 2008, the District entered into a Reimbursement Agreement with ACP DIA 1287 Investors, LLC (“Company”). On June 7, 2016, the parties entered into the First Amendment to the Reimbursement Agreement. The Company agreed to advance funds to the District and the District agreed to reimburse Company the advances plus interest at 8% per annum. Repayment is subject to annual appropriation, and no specific source of funds is pledged. In no event shall this agreement be construed as or constitute a “debt” of the District in such a manner as would violate the constitution or other laws of the State of Colorado, but shall in all other events constitute a valid and legally binding obligation of the District. At December 31, 2020 the balance due under this agreement was \$573,542 including accrued interest of \$186,221

Facilities Funding and Acquisition Agreement

On January 1, 2012 the District entered into a Facilities Funding and Acquisition Agreement with the Company. The Company agreed to either construct certain public improvements which would then be acquired by the District or initially fund the construction and installation of such improvements by the District. Per this agreement the District agreed to reimburse Company for the advances plus interest at 8%. This agreement extends through December 31, 2020. There were no outstanding amounts due under this agreement at December 31, 2020.

Velocity Metropolitan District No. 1

Notes to Financial Statements
December 31, 2020

The following is an analysis of changes in long-term debt for the period ending December 31, 2020:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020	Current Portion
Company advance- Capital	\$ 189,795	\$ 312,107	\$ 501,902	\$ -	\$ -
Company advance- Operations	387,321	-	-	387,321	-
Accrued interest - Capital	11,025	70,529	81,554	-	-
Accrued interest - Operations	155,150	31,071	-	186,221	-
Total	<u>\$ 743,291</u>	<u>\$ 413,707</u>	<u>\$ 583,456</u>	<u>\$ 573,542</u>	<u>\$ -</u>

A summary of the annual long-term debt principal and interest requirements is not available as principal is paid based upon available revenue.

Debt Authorization

As of December 31, 2020, the District had remaining voted debt authorization of approximately \$450,050,000. The District has not budgeted to issue new debt during 2020. Per the District's Service Plan, the District, can not issue debt in excess of \$50,000,000.

Note 5: District Agreements

Operations Intergovernmental Agreement

On January 29, 2019, the District along with Districts 2-9 entered into an Intergovernmental Agreement ("Operational IGA") with Porteos Business Improvement District (the "BID"). The Operations IGA provides that the BID will serve as the coordination district for the operations and maintenance of all public improvements. The BID will own and/or maintain all public improvements that are not dedicated to the City or another governmental entity. The District and Districts 2-9 will provide funding to the BID.

Velocity Intergovernmental Agreement

On January 29, 2019, the District along with Districts 2-9 entered into an Intergovernmental Agreement ("Velocity IGA") providing that the District will serve as the coordinating district for the construction of all public improvements serving the BID. Accordingly, the District will be generally responsible for coordinating the financing and construction of the public improvements on behalf of Districts 2-9. Districts 2-9 will provide the District with funding to the District.

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights ("TABOR"), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Velocity Metropolitan District No. 1

Notes to Financial Statements December 31, 2020

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.

The District's management believes the District 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.

In May 2008, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

Velocity Metropolitan District No. 1

Notes to Financial Statements
December 31, 2020

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

VELOCITY METROPOLITAN DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2020

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Miscellaneous income	\$ -	\$ 146,003	\$ 146,003
Transfer from District 3	-	583,456	583,456
Transfer from District 3	<u>20,917,525</u>	<u>12,543,564</u>	<u>(8,373,961)</u>
Bond Proceeds	-	-	-
Bond Proceeds subordinate	-	-	-
Total Revenues	<u>20,917,525</u>	<u>13,273,023</u>	<u>(7,644,502)</u>
EXPENDITURES			
Accounting and audit	-	34,526	(34,526)
Management fees	-	234,000	(234,000)
Legal	-	79,082	(79,082)
Capital Expenditures	20,917,525	12,504,371	8,413,154
Repay developer advances - principal	-	524,882	(524,882)
Developer advances - interest	<u>-</u>	<u>81,554</u>	<u>(81,554)</u>
Total Expenditures	<u>20,917,525</u>	<u>13,477,697</u>	<u>7,439,828</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(204,674)</u>	<u>(204,674)</u>
OTHER FINANCING SOURCES			
Developer advances	<u>-</u>	<u>312,107</u>	<u>312,107</u>
Total Other Financing Sources	<u>-</u>	<u>312,107</u>	<u>312,107</u>
NET CHANGE IN FUND BALANCE	-	107,433	107,433
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>3,007</u>	<u>3,007</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 110,440</u>	<u>\$ 110,440</u>

The notes to the financial statements are an integral part of these statements.

VELOCITY METROPOLITAN DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2020

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 40	\$ 40	\$ -
Specific ownership taxes	<u>3</u>	<u>3</u>	<u>-</u>
Total Revenues	<u>43</u>	<u>43</u>	<u>-</u>
EXPENDITURES			
Treasurer's fees	<u>1</u>	<u>-</u>	<u>1</u>
Total Expenditures	<u>1</u>	<u>-</u>	<u>1</u>
NET CHANGE IN FUND BALANCE	42	43	1
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u><u>\$ 42</u></u>	<u><u>\$ 43</u></u>	<u><u>\$ 1</u></u>

The notes to the financial statements are an integral part of these statements.