

Velocity Metropolitan District No. 5

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditor's Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Debt Service Fund	17
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Capital Projects Fund	18



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Board of Directors
Velocity Metropolitan District No. 5
Adams County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Velocity Metropolitan District No. 5 (the "District"), as of and for the year ended December 31, 2023, 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 Velocity Metropolitan District No. 5 as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditor's 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 (GAAP), 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 a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgment, 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.

Other Matters

Required Supplemental Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions 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, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP
Denver, Colorado

July 29, 2024

Velocity Metropolitan District No. 5

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS

December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 342	\$ -	\$ -	\$ 342	\$ -	\$ 342
Cash and investments - restricted	-	5,031,280	21,470,699	26,501,979	-	26,501,979
Receivable - County Treasurer	5	34	-	39	-	39
Property taxes receivable	962	6,734	-	7,696	-	7,696
Receivable from other districts	-	9,039	-	9,039	-	9,039
Total Assets	<u>\$ 1,309</u>	<u>\$ 5,047,087</u>	<u>\$ 21,470,699</u>	<u>\$ 26,519,095</u>	<u>-</u>	<u>26,519,095</u>
LIABILITIES						
Payable to District No. 5	\$ -	\$ -	\$ 3,618,667	\$ 3,618,667	-	3,618,667
Payable to Porteos BID	-	-	6,000	6,000	-	6,000
Regional mill levy payable	15	-	-	15	-	15
Accrued interest	-	-	-	-	3,858,306	3,858,306
Long-term liabilities:						
Due in more than one year	-	-	-	-	68,239,817	68,239,817
Total Liabilities	<u>15</u>	<u>-</u>	<u>3,624,667</u>	<u>3,624,682</u>	<u>72,098,123</u>	<u>75,722,805</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	962	6,734	-	7,696	-	7,696
Total Deferred Inflows of Resources	<u>962</u>	<u>6,734</u>	<u>-</u>	<u>7,696</u>	<u>-</u>	<u>7,696</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Debt service	-	5,040,353	-	5,040,353	(5,040,353)	-
Capital projects	-	-	17,846,032	17,846,032	(17,846,032)	-
Unassigned	332	-	-	332	(332)	-
Total Fund Balances	<u>332</u>	<u>5,040,353</u>	<u>17,846,032</u>	<u>22,886,717</u>	<u>(22,886,717)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,309</u>	<u>\$ 5,047,087</u>	<u>\$ 21,470,699</u>	<u>\$ 26,519,095</u>		
Net Position:						
Restricted for:						
Debt service					1,182,047	1,182,047
Capital projects					17,846,032	17,846,032
Unrestricted					<u>(68,239,485)</u>	<u>(68,239,485)</u>
Total Net Position (Deficit)					<u>\$ (49,211,406)</u>	<u>\$ (49,211,406)</u>

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

Velocity Metropolitan District No. 5

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Transfer to District No. 1	\$ -	\$ -	\$ 12,374,342	\$ 12,374,342	\$ -	\$ 12,374,342
Treasurer's fees	13	91	-	104	-	104
Bond interest expense	-	1,159,388	-	1,159,388	3,700,984	4,860,372
Trustee fees	-	21,000	-	21,000	-	21,000
Aurora Regional Mill levy	912	-	-	912	-	912
	<u>925</u>	<u>1,180,479</u>	<u>12,374,342</u>	<u>13,555,746</u>	<u>3,700,984</u>	<u>17,256,730</u>
Total Expenditures						
GENERAL REVENUES						
Property taxes	869	6,083	-	6,952	-	6,952
Specific ownership taxes	56	391	-	447	-	447
Transfer from District No. 4	-	105,704	-	105,704	-	105,704
Transfer from District No. 6	-	222,018	-	222,018	-	222,018
Transfer from District No. 7	-	5,026	-	5,026	-	5,026
Transfer from District No. 8	-	250,663	-	250,663	-	250,663
Interest income	327	260,537	1,378,748	1,639,612	-	1,639,612
	<u>1,252</u>	<u>850,422</u>	<u>1,378,748</u>	<u>2,230,422</u>	<u>-</u>	<u>2,230,422</u>
Total General Revenues						
NET CHANGES IN FUND BALANCES	327	(330,057)	(10,995,594)	(11,325,324)	11,325,324	
CHANGE IN NET POSITION					(15,026,308)	(15,026,308)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	<u>5</u>	<u>5,370,410</u>	<u>28,841,626</u>	<u>34,212,041</u>	<u>(68,397,139)</u>	<u>(34,185,098)</u>
END OF YEAR	<u>\$ 332</u>	<u>\$ 5,040,353</u>	<u>\$ 17,846,032</u>	<u>\$ 22,886,717</u>	<u>\$ (72,098,123)</u>	<u>\$ (49,211,406)</u>

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

Velocity Metropolitan District No. 5

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2023

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 869	\$ 869	\$ -
Specific ownership taxes	69	56	(13)
Interest income	<u>-</u>	<u>327</u>	<u>327</u>
Total Revenues	<u>938</u>	<u>1,252</u>	<u>314</u>
EXPENDITURES			
Aurora Regional Mill levy	925	912	13
Treasurer's fees	<u>13</u>	<u>13</u>	<u>-</u>
Total Expenditures	<u>938</u>	<u>925</u>	<u>13</u>
NET CHANGE IN FUND BALANCE	-	327	327
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>5</u>	<u>5</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 332</u>	<u>\$ 332</u>

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

Velocity Metropolitan District No. 5

Notes to Financial Statements December 31, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Velocity Metropolitan District No. 5 (“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 bond proceeds and property taxes. The District was organized concurrently with Velocity Metropolitan District No. 1 (“District No. 1”), Velocity Metropolitan District No. 2 (“District No. 2”) Velocity Metropolitan District No. 3 (“District No. 3”) Velocity Metropolitan District No. 4 (“District No. 4”) and Velocity Metropolitan Districts Nos. 6 - 9 (“Districts 6-9”), or (“Districts”) 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. 34, 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. 5

Notes to Financial Statements
December 31, 2023

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. 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. 5

Notes to Financial Statements

December 31, 2023

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 Projects 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. The total appropriations in the Debt Service Fund was amended.

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, 2023, 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.

Velocity Metropolitan District No. 5

Notes to Financial Statements

December 31, 2023

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 net 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.

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.

Original Issue Discount

The original issue discount from the 2020A-1 Bonds of \$395,594 and \$2,219,662 from the Series 2022B Bonds is being amortized over the term of the bonds using the interest method. Accumulated amortization of the original issue discount amounted to \$28,010 for the 2020 A-1 Bonds and \$187,783 at December 31, 2023.

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:

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.

Velocity Metropolitan District No. 5

Notes to Financial Statements

December 31, 2023

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.

The restricted fund balance in the Debt Service Fund in the amount of \$5,040,353 is restricted for the payment of the debt service costs associated with the Series 2020 Bonds (see Note 3).

The restricted fund balance in the Capital Projects Fund in the amount of \$17,846,032 is restricted for the payment of the costs for capital improvements within the District.

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 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 of 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. 5

Notes to Financial Statements
December 31, 2023

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, 2023, cash and investments is classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 342
Cash and investments - restricted	<u>26,501,979</u>
	<u>\$ 26,502,321</u>

Cash and investments as of December 31, 2023, consist of the following:

Investments - COLOTRUST	<u>\$ 26,502,321</u>
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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. The District had no deposits outstanding as of December 31, 2023.

Velocity Metropolitan District No. 5

Notes to Financial Statements December 31, 2023

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 is 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.

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, 2023, the District had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST"), is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture 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. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2023, the District had \$26,502,321 invested in COLOTRUST PLUS+.

Velocity Metropolitan District No. 5

Notes to Financial Statements
December 31, 2023

Note 3: Long Term Debt

The following is an analysis of changes in long-term debt for the year ending December 31, 2023:

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023	Current Portion
<u>General Obligation Bonds</u>					
Series 2020A-1 Bonds	\$ 21,570,000	\$ -	\$ -	\$ 21,570,000	\$ -
Series 2020A-2 Bonds	19,495,158	1,187,122	-	20,682,280	-
Series 2022 B Bonds	28,387,000	-	-	28,387,000	-
Total	<u>69,452,158</u>	<u>1,187,122</u>	<u>-</u>	<u>70,639,280</u>	<u>-</u>
Bond Discount Series 2021	(376,660)	-	(9,076)	(367,584)	-
Bond Discount Series 2022 B	(2,156,961)	-	(125,082)	(2,031,879)	-
Total	<u>\$ 66,918,537</u>	<u>\$ 1,187,122</u>	<u>\$ (134,158)</u>	<u>\$ 68,239,817</u>	<u>\$ -</u>

A description of the long-term obligations as of December 31, 2023, is as follows:

\$21,570,000 Limited Tax General Obligation Bonds, Series 2020A-1

On October 30, 2020, the District issued \$21,570,000 Limited Tax General Obligation Bonds, Series 2020A-1 ("2020A-1 Bonds"). To be used to (a) finance certain Public Improvements related to the Development; (b) fund an initial deposit to the Surplus Fund in the Initial Surplus Fund Deposit Amount of \$3,822,000; (c) fund capitalized interest on the 2020A-1 Bonds; and (d) pay the costs of issuing the 2020A-1 Bonds. The 2020A-1 Bonds bear interest at 5.375%, interest is payable semiannually on each June 1 and December 1, commencing on June 1, 2022. The 2020A-1 Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2034, and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2023, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. The 2020A-1 Bonds are secured by the Revenues, generally consisting of (a) Required Mill Levy Revenues; (b) Specific Ownership Tax Revenues; (c) any other legally available amounts that the District may designate by resolution of the Board, to be paid to the Trustee for deposit in to the Revenue Fund, or otherwise held under the Indenture; and (d) all income or other gain, if any, from any investment of the foregoing. The 2020A-1 Bonds are also secured by the Surplus Fund (up to the Maximum Surplus Amount), a portion of which will initially be funded with proceeds of the 2020A-1 Bonds in the Initial Surplus Fund Deposit Amount of \$3,882,000. A portion of interest on the 2020A-1 Bonds through June 1, 2024 will be funded with amounts on deposit in the Bond Fund with proceeds of the 2020A-1 Bonds in the amount of \$3,478,162.

Velocity Metropolitan District No. 5

Notes to Financial Statements
December 31, 2023

The following is a summary of the annual long-term debt principal and interest requirements for the 2020A-1 Bonds.

	Principal	Interest	Total
2024	\$ -	\$ 1,159,388	\$ 1,159,388
2025	-	1,159,388	1,159,388
2026	-	1,159,388	1,159,388
2027	-	1,159,388	1,159,388
2028	-	1,159,388	1,159,388
2029-2033	-	5,796,938	5,796,938
2034-2038	1,520,000	5,710,131	7,230,131
2039-2043	5,945,000	4,854,160	10,799,160
2044-2048	9,415,000	2,844,181	12,259,181
2049-2050	4,690,000	382,700	5,072,700
	<u>\$ 21,570,000</u>	<u>\$ 25,385,050</u>	<u>\$ 46,955,050</u>

\$17,233,312 Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2020A-2

On October 30, 2020, the District issued \$17,233,312 Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2020A-2 (“2020A-2 Bonds”), with a value at issuance of \$17,233,312 accreting at an interest rate of 6.0% to a principal value of \$26,200,000 on December 1, 2027. On December 1, 2027, the 2020A-2 Bonds convert to current interest bonds. Interest accrues annually at the rate of 6.00% with the first payment on June 1, 2028 and semi-annually thereafter through December 1, 2050. The 2020A-2 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or, if prior to the Current Interest Conversion Date, in integral multiples of \$0.01 and, if on or after the Current Interest Conversion Date, in integral multiples of \$1,000; in any order of maturity and in whole or partial maturities, on December 1, 2023, and on any date thereafter, upon payment of: (i) if prior to the Current Interest Conversion Date, the sum of the Accreted Value to be redeemed and a redemption premium equal to a percentage of the Accreted Value so redeemed, and (ii) if on or after the Current Interest Conversion Date, the sum of the principal amount to be redeemed, the accrued interest thereon to the date of redemption, and a redemption premium equal to a percentage of the principal amount so redeemed, ranging between 0% and 3%. The 2020A-2 Bonds are secured by (i) a mill levy of up to 50 mills, to the extent such mills are not used for debt service on the 2020A-2 Bonds and the Surplus Fund plus (ii) the portion of specific ownership taxes attributable to the property taxes used for the 2020A-2 Bonds debt service.

Velocity Metropolitan District No. 5

Notes to Financial Statements
December 31, 2023

The following is a summary of the annual long-term debt principal and interest requirements for the 2020A-2 Bonds.

	Principal	Accretion	Interest	Total
2024	\$ -	\$ 1,259,696	\$ -	\$ 1,259,696
2025	-	1,336,200	-	1,336,200
2026	-	1,417,682	-	1,417,682
2027	-	1,504,142	-	1,504,142
2028	-	-	1,572,000	1,572,000
2029-2033	-	-	7,860,000	7,860,000
2034-2038	1,490,000	-	7,784,100	9,274,100
2039-2043	7,090,000	-	6,713,400	13,803,400
2044-2048	11,680,000	-	3,984,300	15,664,300
2049-2050	5,940,000	-	541,800	6,481,800
	<u>\$ 26,200,000</u>	<u>\$ 5,517,720</u>	<u>\$ 28,455,600</u>	<u>\$ 60,173,320</u>

\$28,387,000 Subordinate Limited Tax General Obligation Bonds, Series 2022B

On June 7, 2022, the District issued \$28,387,000 Subordinate Limited Tax General Obligation Bonds, Series 2022B ("2022B Bonds") to be used to finance certain Public Improvements related to the Development; and pay the costs of issuing the 2022 B Bonds. The 2022B Bonds bear interest at 8.00%, interest is payable annually on each December 15, commencing on December 15, 2022 to the extent of available subordinate pledged revenue. The 2022 B Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2023 and on any date thereafter, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. The 2022B Bonds are secured by the Subordinate Pledged Revenue, the Subordinate Bond Fund, the Subordinate Project Fund any other legally available amounts that the District may designate by resolution of the Board, to be paid to the Trustee for deposit into the Subordinate Bond Fund, or otherwise held under the Indenture; and (d)all income or other gain, if any, from any investment of the foregoing. The Series 2022B Bonds are subordinate "cash flow" limited tax general obligations of the District, secured by and payable solely from and to the extent of the Subordinate Pledged Revenue, generally consisting of (a) all Subordinate Property Tax Revenues; (b) all Subordinate Specific Ownership Tax Revenues; (c) all Subordinate PILOT Revenues; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

Velocity Metropolitan District No. 5

Notes to Financial Statements December 31, 2023

Pursuant to the Indenture and a Subordinate Capital Pledge Agreement dated as of June 1, 2022 (the "Subordinate Pledge Agreement"), by and among the District, Velocity Metropolitan District Nos. 4 and 6-8 (collectively with the District, the "Metro Districts" or as defined in the Indenture, the "Taxing Districts"), and the Trustee, the Metro Districts (including the District) have covenanted to impose an ad valorem mill levy upon all property subject to taxation by each Metro District in the amount of the Subordinate Required Mill Levy, being 35 mills less the applicable Senior Obligation Mill Levy (subject to adjustment as described herein). Any remaining principal and accrued interest outstanding on the Series 2022B Bonds at December 15, 2062 after the application of all Pledged Revenue available will be discharged regardless of the amount of principal and interest paid prior to such date.

Because of the uncertainty of timing of payments under the Series 2022B Bonds no related schedule of expected principal and interest payments is presented.

Events of Default as defined in the Bonds Indentures are primarily (i) the District fails to impose the Required Mill Levy as provided in the Indenture. (ii) any of the Pledging Districts fails to impose the Required Mill Levy or remit the proceeds thereof as provided in the Indenture and the Pledge Agreement or has failed to comply with any other obligation under the Pledge Agreement.

Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Bonds is not an available remedy for an Event of Default.

Debt Authorization

On May 6, 2008, a majority of the qualified electors of the District authorized the issuance of indebtedness in the amount not to exceed \$450,000,000 for the purpose of financing the costs of acquiring, construction, relocating, installing, completing and otherwise providing public improvements. As of December 31, 2023, \$411,108,918 of this authorization remains unissued. The Service Plan provides that the District shall not issue bonds or other debt in excess of \$100,000,000. At December 31, 2023, \$61,108,918 of this authorization remains unissued. The District did not budget to issue any additional debt in 2024.

Note 5: District Agreements

Amended and Restated Intergovernmental Agreement Concerning District Improvements and Operations ("Master IGA")

On December 10, 2020, the District along with Districts Nos. 1 - 4 and 6 - 9 entered into a Master IGA with Porteos Business Improvement District (the "BID"). The Master IGA provides that District No. 1 will serve as the coordinating district for the construction and acquisition of all Public Improvements.

Velocity Metropolitan District No. 5

Notes to Financial Statements December 31, 2023

The Master IGA provides that the BID will serve as the coordination district for the operations and maintenance of all public improvements and the provision of administrative services for the Districts. The BID will own and/or maintain all public improvements that are not dedicated to the City or another governmental entity. The District provides funding to the BID to pay for operating expenses and administrative services.

Pledge Agreement

On February 1 the District and District No. 4, District No. 6, District No. 7 and District No. 9 (the “Pledging Districts”) entered into a Pledge Agreement for the purpose of providing funding for the payment on the Bonds. The Pledging Districts agreed to impose the Required Mill Levy on all property subject to taxation and to remit to the Trustee as soon as practicable upon receipt of all revenue collected as a result of the imposed mill levy.

Subordinate Pledge Agreement

On June 1, 2022 the District and District No. 4, District No. 6, District No. 7 and District No. 8 (the “Pledging Districts”) entered into a Subordinate Pledge Agreement for the purpose of providing funding for the payment on the Series 2022B Bonds. The Pledging Districts agreed to impose the Required Mill Levy on all property subject to taxation and to remit to the Trustee as soon as practicable upon receipt of all revenue collected as a result of the imposed mill levy.

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.

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.

Velocity Metropolitan District No. 5

Notes to Financial Statements
December 31, 2023

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.

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) 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 interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 2) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 3) 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. 5

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND
For the Year Ended December 31, 2023

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 6,083	\$ 6,083	\$ 6,083	\$ -
Specific ownership taxes	487	487	391	(96)
Transfer from District No. 4	17,472	106,795	105,704	(1,091)
Transfer from District No. 6	225,364	225,364	222,018	(3,346)
Transfer from District No. 7	5,130	5,130	5,026	(104)
Transfer from District No. 8	253,631	253,631	250,663	(2,968)
Interest income	<u>2,500</u>	<u>2,500</u>	<u>260,537</u>	<u>258,037</u>
Total Revenues	<u>510,667</u>	<u>599,990</u>	<u>850,422</u>	<u>250,432</u>
EXPENDITURES				
Bond interest expense	1,159,388	1,159,388	1,159,388	-
Trustee fees	10,000	21,000	21,000	-
Treasurer's fees	<u>91</u>	<u>91</u>	<u>91</u>	<u>-</u>
Total Expenditures	<u>1,169,479</u>	<u>1,180,479</u>	<u>1,180,479</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(658,812)	(580,489)	(330,057)	250,432
FUND BALANCE:				
BEGINNING OF YEAR	<u>5,455,757</u>	<u>5,455,757</u>	<u>5,370,410</u>	<u>(85,347)</u>
END OF YEAR	<u>\$ 4,796,945</u>	<u>\$ 4,875,268</u>	<u>\$ 5,040,353</u>	<u>\$ 165,085</u>

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

Velocity Metropolitan District No. 5

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

For the Year Ended December 31, 2023

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ -	\$ 1,378,748	\$ 1,378,748
Total Revenues	<u>-</u>	<u>1,378,748</u>	<u>1,378,748</u>
EXPENDITURES			
Transfer to District No. 1	<u>23,478,828</u>	<u>12,374,342</u>	<u>11,104,486</u>
Total Expenditures	<u>23,478,828</u>	<u>12,374,342</u>	<u>11,104,486</u>
NET CHANGE IN FUND BALANCE	(23,478,828)	(10,995,594)	12,483,234
FUND BALANCE:			
BEGINNING OF YEAR	<u>23,478,828</u>	<u>28,841,626</u>	<u>5,362,798</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 17,846,032</u>	<u>\$ 17,846,032</u>

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